Insurance
Corporation
of British
Columbia

# Chapter 4

## Section IV

## Performance Measures

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# 1 Performance Measures - Background

In its Decision dated November 12, 2003, the Commission issued directions regarding ICBC's regulatory filings in 2004. In response, ICBC submitted its application relating to performance measures on February 27, 2004, which was reviewed through a Negotiated Settlement Process. In the transmittal letter to ICBC with Order G-49-04 approving the Negotiated Settlement, the Commission stated its expectations for information to be provided on performance measures in ICBC's July 5, 2004 Application.[1]

The following section provides statistics for the negotiated performance measures including the various new measures added during the negotiated settlement process. These measures include new claims initiation using the 120 second threshold, customer contact service level, injury paid severity, legal representation rate, and number of complaints heard by the Fairness Commissioner.

[1] Letter from Robert J. Pellatt, Commission Secretary, BC Utilities Commission to Donnie Wing, Vice President, Investments & Corporate Development, Insurance Corporation of British Columbia, May 20, 2004

# 2 ICBC's Performance Measures

ICBC's performance measures are categorized into four general areas:

- Service
- Financial
- Efficiency
- Directional Indicators

The figure in Appendix 4.IV.B summarizes ICBC's performance measures modified as a result of the negotiated settlement process. Where a performance statistic can be determined from updated financial information, such as financial and efficiency measures, this has been reflected as the 2004 outlook. For new measures, an estimate of the results for 2004 has been provided and is also reflected as the 2004 outlook. For all other measures, including Service and Directional Indicators, the 2004 plan has been provided as it represents the latest ICBC Board of Directors approved performance targets[2] (See 2004-2006 Service Plan in Appendix 4.IV.C).

ICBC operates using an integrated business model and most performance measures and directional indicators presented in this document are corporate, for the entire company, both Basic and Optional insurance. The insurance expense ratio, loss ratio, non-insurance expense ratio, and property damage productivity measures are presented for Basic insurance only.

## 2.1 Service Measures

One of ICBC's key principles is to run ICBC like a business for the benefit of its customers. A key customer service measure of performance for ICBC is the percentage of satisfied customers. A separate measure is currently used to measure each major transaction type - insurance, driver service and licensing, and claims. The design of these measures reflects the differences in the nature of

[2] Plan refers to the target established at the outset of the year while outlook refers to a more recent estimate of financial results for 2004.

each transaction. An independent research firm is retained to conduct monthly surveys of customers for the purposes of monitoring satisfaction.

### 2.1.1 *Insurance Satisfaction*[3]

Each year, ICBC's insurance brokers process approximately 2.7 million policy years earned[4]. This measure represents the percentage of customers satisfied with a recent insurance transaction with ICBC and is based on annual surveys of over 1,000 customers.[5]

As a result of the Negotiated Settlement[6], ICBC is adding to the 2004 second quarter satisfaction survey a question respecting whether the customer has purchased Optional insurance coverage from an insurer other than ICBC. Respondents will have the choice of a yes, no or don't know response. The result from this added question is not expected until mid August 2004.

**Figure 4.IV.1 - Performance Statistics**

| | 2003 Actual | 2004 Plan |
|---|---|---|
| **Insurance Satisfaction** | 95% | 94% |

Historically, this percentage has been over 90% and is indicative of the positive relationship between customers and brokers. In 2003, ICBC achieved a 95% satisfaction, which can be attributed to a number of factors. For example, the Autoplan Extranet, a web based system that provides brokers with access to specific ICBC applications, has enabled the corporation to communicate effectively with its broker partners making it easier for brokers to interact with ICBC and, in turn, serve customers more efficiently.

In recent years, ICBC's premiums have remained relatively stable compared to other provinces across Canada. ICBC believes this has had a positive impact on

[3] This measure was previously called Autoplan Satisfaction
[4] Annualized values have been used for policies with a term of less than 12 months.
[5] The satisfaction level reported represents all customers without distinguishing between Basic and Optional insurance coverages.
[6] Order G-49-04 paragraph 4.5 page 2.

the satisfaction level. The 2004 results are anticipated to be consistent with historical results. However, a slight decrease in satisfaction is expected due to anticipated and potential legislative changes. These changes are expected to increase the time required to complete an insurance transaction. The 2004 target was established taking this into consideration.

### *2.1.2 Driver Services Satisfaction*

On an annual basis, ICBC performs over 1.2 million transactions relating to the issuance of driver licenses and driver exams. The driver services satisfaction measure represents the percentage of customers satisfied with a recent driver licensing transaction with ICBC. The transaction relates to renewing a license, taking a knowledge test or undergoing a road test. The measure is weighted by the number of transactions for each type of service. A sample of approximately 4,000 customers is surveyed throughout the year for this measure by an independent research firm.

**Figure 4.IV.2 - Performance Statistics**

| | 2003 Actual | 2004 Plan |
|---|---|---|
| **Driver Services Satisfaction** | 91% | 87% |

ICBC's 2003 customer satisfaction results for driver services are consistently high. In late 2003, the provincial government implemented changes to the Graduated Licensing Program (GLP), which were anticipated to have a dampening impact on the satisfaction levels of new drivers affected by the changes. In setting the target for 2004, the impact of the GLP changes and other initiatives aimed at reducing fraud were taken into consideration.

### *2.1.3 Claims Services Satisfaction*

ICBC processes approximately one million claims each year through its claim handling facilities. The claims services satisfaction measure represents the percentage of customers satisfied with a recent first party[7] claims transaction with ICBC and is based on a sample of over 9,500 claims customers. This measure is weighted based on transactional volumes.

A change to the claims services satisfaction measure was requested as part of the Negotiated Settlement. "When reporting the results for its claims service satisfaction, ICBC will weight the Accident Benefit portion of the results commensurate with the proportion of the total Accident Benefit claims in the survey sample to the total claims surveyed. ICBC will also report the results for Accident Benefit claimant satisfaction separately". [8]

The satisfaction level reported below represents the existing method of measurement (i.e. without expanding the definition of accident benefit customers). ICBC is in the process of making the required adjustments to its methodology to reflect the Negotiated Settlement agreement. ICBC will be in a position to provide second quarter results by mid August 2004.

**Figure 4.IV.3 - Performance Statistics**

| | 2003 Actual | 2004 Plan |
|---|---|---|
| **Claims Services Satisfaction** | 84% | 87% |

In 2003, positive results were noted in specific areas such as ICBC's fairness, accommodation of needs and the value and respect felt by customers. However, lower levels of satisfaction were noted in some areas. ICBC believes this is due in part to changes in the business.

The target established for 2004 represents a challenge for ICBC and highlights the corporation's continued commitment to the customer.

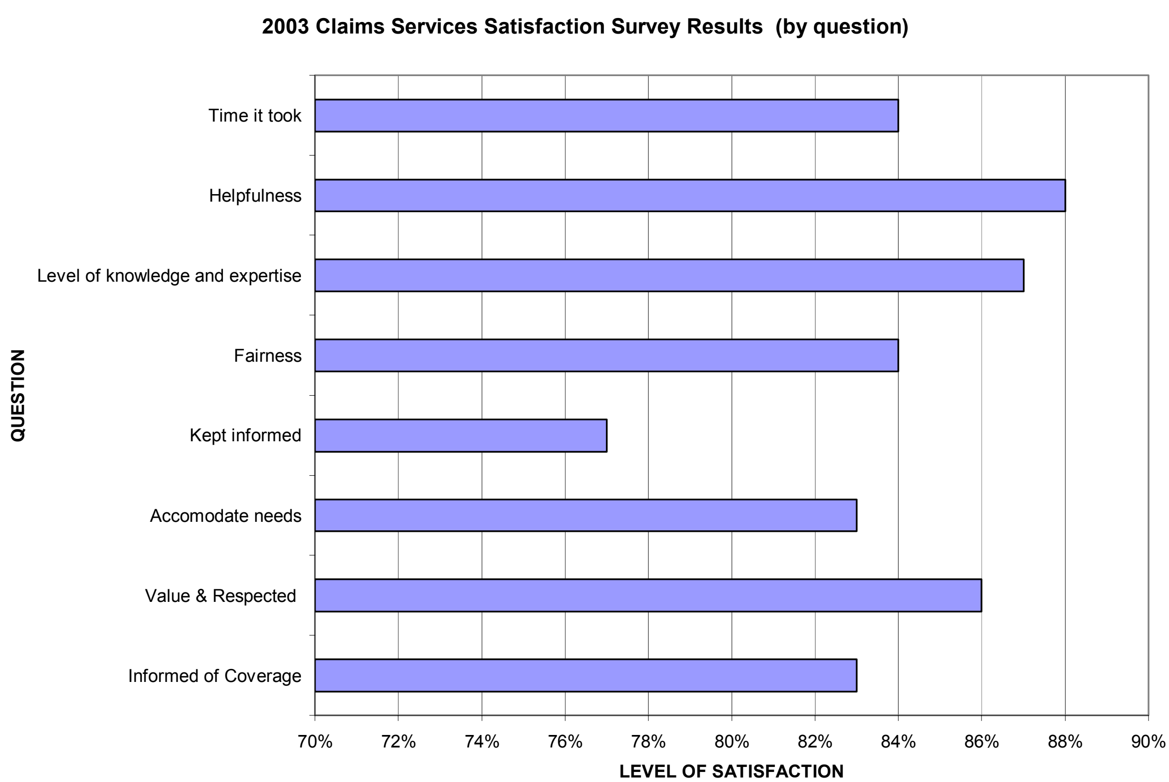
In the Negotiated Settlement process ICBC agreed to "show the survey results for the eight questions of the claims services satisfaction survey as part of its reporting on Performance Measures." The eight questions are:

[7] First party claim is a claim made by the policyholder for damage to their insured property (own damage) and the accident benefits for their own injuries.
[8] Order G-49-04 paragraph 4.7 page 3.

- the time it took to complete their transaction
- the helpfulness of the main person they dealt with
- the level of knowledge and expertise of the main person they dealt with
- the fairness to which their claim was treated
- the extent to which they were informed of the status of their claim while it was being processed
- the extent to which their needs were accommodated
- the extent to which they felt valued and respected as a customer
- the extent to which they were informed of their coverage and next steps

The range of the total satisfaction (all customers indicating very satisfied or somewhat satisfied) for each question is used to calculate the score for each specific question. The 2003 results for these questions are provided in the figure below.

**Figure 4.IV.4**



### 2.1.4 New Claims Initiation

Ninety-five percent of all new claims provincially are reported through ICBC's Telephone Claims Department (TCD), which handles claims 24 hours per day 365 days a year. The new claims initiation measure represents the percentage of TCD incoming calls that are answered within a specified threshold. The measure is expressed as "X% of calls answered within Y seconds". This is a call centre measurement that is broadly used by the call centre industry, in particular where the calls are of a simple nature.has been in place for many years.

New claims initiation call times are approximately 11 minutes per transaction. The length is related to the complexity of the transaction and includes reporting and adjusting of claims. In comparison to other call types such as account balance retrieval, new claims initiation calls are not typical because of their complexity and length. It would be costly to provide service levels that are comparable to those of call centres that typically handle inquiries that are relatively brief. ICBC must balance the cost of service with service levels. In the future, ICBC will be examining industry measures for call environments more similar to the ICBC environment, where complexity of calls exists and where the service to the customer in completing and resolving a more complex call is recognized.

For information purposes, ICBC agreed as part of the Negotiated Settlement process, to provide new claims initiation numbers using both 210 and 120 seconds thresholds.[9]

**Figure 4.IV.5 - Performance Statistics**

| **New Claims Initiation** | **2003 Actual** | **2004 Outlook** |
|---|---|---|
| Percent of calls answered in 210 seconds | To be provided | To be provided |
| Percent of calls answered in 120 seconds | To be provided | To be provided |

[9] Ibid, paragraph 4.11 page 3.

Variance explanations and numbers are being reviewed and will be provided on July 19th, 2004.

### 2.1.5 Customer Contact Service Level

As per the Negotiated Settlement,[10] ICBC has added the customer contact service level measure. This new service level measure is the percentage of calls answered within 90 seconds combining the following areas: Customer Contact, First Contact, Driver Licensing, Broker Enquiry Unit, and Driver Examiner Appointment System.

**Figure 4.IV.6 - Performance Statistics**

| Customer Contact Service Level | 2003 Actual | 2004 Outlook |
|---|---|---|
| Percent of calls answered in 90 seconds | To be provided | To be provided |

Variance explanations and numbers are being reviewed and will be provided on July 19th, 2004.

### 2.1.6 Customer Approval Index

ICBC is in the process of developing a new performance measure, which is expected to provide a corporate view of the level of customer approval. The purpose of the customer approval index is to track customer approval for ICBC on an ongoing basis. It is expected that this measure will, by 2006, complement existing measures.

**Figure 4.IV.7 - Performance Statistics**

The index was initiated in the first quarter of 2004 and the first annual results will be available early in the first quarter of 2005. Consequently, there are no statistics available for 2003 nor is a forecast available for 2004.

[10] Ibid.

| | 2003 Actual | 2004 Outlook |
|---|---|---|
| **Customer Approval Index** | N/A | N/A |

### 2.1.7 Legal Representation Rate

One of the main drivers of increasing bodily injury costs is legal costs. This measure reflects the number of claimants who chose to retain counsel to represent them and is a good indicator of service satisfaction of bodily injury claimants.

To provide more information on the management of bodily injury service, ICBC proposed during the Negotiated Settlement process the addition of legal representation rate.

**Figure 4.IV.8 - Performance Statistics**

| | 2003 Actual | 2004 Outlook |
|---|---|---|
| **Legal Representation Rate** | 32.7% | 33.0% |

Historical trends have been in the range of 31% to 33%. The outlook for 2004 is consistent with historical results.

### 2.1.8 Complaints Heard by the Fairness Commissioner

As part of the Negotiated Settlement "….ICBC will also provide the number of complaints heard by the Fairness Commissioner."[11]

The position of the Fairness Commissioner was created in February 27, 2001 to reinforce ICBC's commitment to customer service and fairness. It is the last step

[11] Ibid, paragraph 4.1, page 2.

in ICBC's fairness process where customers have made reasonable efforts to resolve their complaints through ICBC's complaint resolution processes and remain dissatisfied. This new indicator is the number of complaints opened in the year.

**Figure 4.IV.9 - Performance Statistics**

| | 2003 Actual | 2004 Outlook |
|---|---|---|
| **Complaints Heard by the Fairness Commissioner** (files received) | 187 | 200 |

This is a new measure and a relatively new function for ICBC. As such, there is limited historical data to formulate a trend. For 2004, the level of complaint is expected to increase slightly over 2003. ICBC believes the increase may be due in part to the growing awareness of this relatively new resolution function, and does not represent an increasing level of customer dissatisfaction. Of the number of files closed in 2003, the Commissioner identified fairness issues in only 14 (7%) of the cases, down from 19 (12%) in 2002.

## 2.2 Financial Measures

### *2.2.1 Basic Insurance Loss Ratio*

The Basic insurance loss ratio is a measure of the insurance product's profitability. All other things being equal, the lower the percentage, the more profitable the product. This measure is calculated as the ratio of the total Basic insurance claims and Basic insurance claims related costs including loss management and road safety costs, to Basic insurance premium dollars earned. From a claimant's perspective, this measure represents the percentage of Basic insurance premium dollars paid to or on behalf of a claimant involved in a crash, in addition to the costs of handling all claims.

**Figure 4.IV.10 - Performance Statistics**

| | 2003 Actual | 2004 Outlook |
|---|---|---|
| **Basic Insurance Loss Ratio** | 95.5% | 98.2% |

2003 was an exceptional year due to favourable driving conditions experienced during most of the year, resulting in lower claims costs that is the largest factor that makes up to the loss ratio. Results for 2004 are anticipated to reflect more normal driving conditions and therefore higher claims costs. Claims incurred costs are anticipated to increase relative to 2003, due in part to higher total frequency related to Basic insurance coverages (compared to 2003) and increased bodily injury claims severity. Increased claims operating expenses are also expected as a result of increased road safety enforcement payments mainly from the Traffic and Road Safety Law Enforcement Funding Memorandum of Understanding dated December 2003, planned program and system changes, a reduction in the amortization of the pension plan surplus, contractual salary adjustments, and inflation. These increases are offset by reductions in staffing and other costs. Despite increased costs, ICBC will continue to hold the line on premium rate increases. The stable premium rates contributed to the increase in the loss ratio.

### *2.2.2 Basic Insurance Expense Ratio*

The insurance expense ratio is a standard measure to assess the operational efficiency of an organization. All other things being equal, the lower the percentage, the more efficient the company. This measure is calculated as the ratio of Basic insurance non-claims costs to Basic insurance premium dollars earned. The Basic insurance expense ratio is broken down into the Basic administrative cost ratio, the Basic premium tax ratio and the Basic commission ratio. Administrative costs include costs such as broker management, underwriting, actuarial services, and other administrative costs. The premium tax ratio is the percentage of tax paid on insurance premiums for the current year as set by the government, and as such, is not a controllable expense. The broker commissions ratio is dependent on the number of new and renewal policies for Basic insurance as the commissions are paid on a fee per policy basis.

The Commission's letter transmitting Order No. G-23-04, noted "The Negotiated Settlement is absent a performance measure comparing the operating efficiency of operations supporting Basic insurance with the insurance industry.... it would be helpful in understanding the efficiency of the current practices and procedures employed in the provision of Basic insurance if industry comparisons or suitable proxies could be expanded upon."

ICBC uses A.M. Best, a worldwide insurance-rating and information agency and the benchmark for Canadian property and casualty companies, to assess the corporation's financial performance relative to industry. Specifically, ICBC uses A.M. Best for comparisons of loss and expense ratios. Because of ICBC's unique business model, which provides affordable insurance to all drivers in BC and includes non-insurance functions, comparisons must be done with consideration of the differences between operating models. The different insurance products in other provinces will also affect results. At a corporate level (Basic and Optional insurance businesses), ICBC's overall expense ratio has been significantly lower than the industry benchmark in recent years.

ICBC's Basic insurance expense ratio for 2003 was 10.2% and is significantly lower than the industry benchmark. As the sole provider of the Basic insurance product, ICBC has the ability to achieve certain economies of scale in areas such as product distribution where ICBC's commission costs are lower for the Basic insurance product than those of the private industry. ICBC believes that the auto insurance expense ratio for the industry would be lower than the overall property and casualty expense ratio for 2003 of 27.5 %. The A.M. Best benchmark does not segregate data by product line. Therefore, it is difficult to compare the automobile portion as most property and casualty companies sell several product lines. ICBC also believes that the difference between the corporation's expense ratio and the industry average is due to ICBC's lower distribution costs, product support, underwriting, and general administration costs.

**Figure 4.IV.11 - Performance Statistics**

| Basic Insurance Expense Ratio | 2003 Actual | 2004 Outlook |
|---|---|---|
| 1. Basic Administrative Cost Ratio | 4.2% | 4.4% |
| 2. Basic Premium Tax Ratio | 4.0% | 4.4% |
| 3. Basic Commissions Ratio | 2.0% | 2.1% |
| Basic Insurance Expense Ratio (Total of 1,2 and 3) | 10.2% | 10.9% |

The overall insurance expense ratio is increasing slightly primarily due to the increase in the premium tax rate. As the premium tax rate increased from 4% to 4.4% effective January 2004 the premium tax ratio will also increase. The administrative cost ratio is predicted to increase marginally in 2004 due to higher planned operating expenses for items such as planned program and system changes, costs associated with the regulatory process, reduction in the amortization of the pension plan surplus expenses, contractual salary adjustments, and inflation. These increases are offset by reductions in staffing and other costs. The outlook for the Commissions ratio is expected to remain relatively consistent with 2003 results.

### *2.2.3 Basic Non-Insurance Expense Ratio*

As part of its operations, ICBC incurs non-insurance expenses for the provision of driver licensing, commercial vehicle services, vehicle registration and licensing, and government fine collection. The non-insurance expense ratio represents the ratio of the operations and administration costs of ICBC's Non-insurance business to Basic insurance premium dollars earned. It is a measure of the operational efficiency of providing these services on behalf of the government.

**Figure 4.IV.12 - Performance Statistics**

| | 2003 Actual | 2004 Outlook |
|---|---|---|
| Basic Non-insurance Ratio | 6.3% | 6.3% |

The non-insurance ratio is expected to be consistent with 2003 actual results.

### 2.2.4 Investment Return

ICBC manages an investment fund of over $6.4 billion to generate investment income used to reduce premiums for the policyholder. ICBC measures the performance of each component of its investment portfolio against a standard industry benchmark, and measures the total fund's performance against a weighted average of these benchmarks as dictated by ICBC's target investment asset mix. Industry benchmarks and target asset mix are explicitly outlined in the Statement of Investment Policy that is set by the ICBC Board of Directors. ICBC portfolio market return is based on the market value of the investment portfolio. This includes unrealized gains and losses (from unsold securities) and realized gains and losses (from sold securities).

**Figure 4.IV.13 - Performance Statistics**

| Investment Return | 2003 Actual | 2004 Outlook |
|---|---|---|
| Policy Benchmark Return* | 6.1% | Determined by Market Indices |
| ICBC Portfolio Market Return* | 7.2% | Benchmark+ 0.268% |

*The benchmark and portfolio return are four year annualized results, which is standard industry practice.

ICBC performed well in 2003 exceeding its benchmark return in asset categories such as bonds, mortgages, money market portfolios, and the Canadian equity portfolio. ICBC's Investment Department does not forecast the policy benchmark return, as the benchmark return is the result of market forces, which are beyond the corporation's control. ICBC's portfolio market return target is based on a certain margin in excess of the policy benchmark return. In 2004, ICBC plans to outperform the benchmark by 0.268%.

### 2.2.5 Injury Paid Severity

Injury paid severity is the average injury payment per injury claimant. The injury severity measure is influenced by factors such as inflation, settlement awards, legal costs, medical costs and independent adjusting costs. To provide more information on the management of injury costs, ICBC proposed during the Negotiated Settlement process the addition of a new measure on injury paid severity[12]. As requested, ICBC is providing separate reporting on bodily injury and accident benefits.

This measure differs from the severity results in the Annual Report, which provides only recorded costs for the current loss year. Recorded costs represent paid losses and expenses, and adjuster estimates of case reserves. The Commission injury paid severity measures select all claims closed in a calendar year and include all loss and expense payments of a claim from date of loss to date of settlement, which may include multiple loss years.

Bodily Injury (BI) Paid Severity

Bodily Injury payments include loss payments for pain and suffering, future care, past and future wage loss as well as external expense payments incurred to investigate and settle the claim. This is a measure of overall BI claims handling quality and effectiveness of programs introduced to help contain costs. It is a ratio of total BI dollars paid to the number of BI claimants and is a measure used within operational areas for managing claims settlements.

**Figure 4.IV.14 - Performance Statistics**

| | **2003 Actual** | **2004 Outlook** |
|---|---|---|
| **Bodily Injury Paid Severity** | $20,526 | $21,181 |

Increases are anticipated in 2004 relative to 2003 due to inflation and higher court awards in represented files. Furthermore, legal costs are expected to increase partly due to higher rates in the new contractual arrangement with external counsel.

Accident Benefit (AB) Paid Severity

Accident Benefit payments include medical, dental and rehabilitation costs. This measure is a ratio of total AB dollars paid to the number of AB claimants.

[12] Ibid, paragraph 4.4, page 2.

**Figure 4.IV.15 - Performance Statistics**

| | 2003 Actual | 2004 Outlook |
|---|---|---|
| **Accident Benefit Paid Severity** | $1,823 | $1,700 |

A reduction in the 2004 severity is anticipated to account for the new Low Velocity Impact (LVI) policy that will increase AB claims frequency, thereby decreasing severity. Since the amount of AB benefits paid under the LVI policy is generally below the average for an AB exposure, the average AB paid severity is expected to decrease as the result of this policy.

### *2.2.6 Soft Tissue Injury*

This new measure is under development. The Commission's letter transmitting Order No. G-23-04, stated "The Commission notes with approval the co-operation anticipated between ICBC and BCCA in the development of a Performance Measure associated with bodily injury claims which may include the duration of disability for a set of injury types which would be included in what is commonly referred to as whiplash injury".

ICBC has initiated discussions with the British Columbia Chiropractic Association on this matter. Good progress to date has been made and both organizations are jointly working to bring this to a successful conclusion. A jointly signed letter from both organizations is included in Appendix 4.IV.A.

## 2.3 Efficiency Measures

### *2.3.1 Cost Per Policy In Force*

The Cost Per Policy In Force is a standard insurance industry measure for assessing the overall costs of operating the corporation. This measure is calculated as the ratio of internal costs plus external expense payments incurred to investigate and settle the claim, to the number of policies in force.

**Figure 4.IV.16 - Performance Statistics**

| **Cost Per Policy In Force** | **2003 Actual** | **2004 Outlook** |
|---|---|---|
| **1. Internal operating costs** | $133 | $137 |
| **2. External expenses** | 55 | 58 |
| **3. Premium taxes and commissions** | 107 | 117 |
| **4. Deferred premium acquisition costs (DPAC) adjustments** | (11) | - |
| **5. Non-recurring item – gain on sale of property** | (5) | - |
| **Cost Per Policy In Force** | **$279** | **$312** |

Internal operating cost increases include road safety enforcement payments, planned program and system changes, costs associated with the regulatory process, reduction in the amortization of the pension plan surplus, contractual salary adjustments, and inflation. These increases are offset by reductions in staffing and other costs. External claims operating expenses are expected to increase due to legal fees. As noted previously, the premium tax rate increased from 4% to 4.4% effective January, 2004. In 2003, there was an accounting adjustment to reflect the valuation of deferred premium acquisition cost (DPAC). This adjustment reduced the 2003 operating costs, and for 2004, these adjustments will not be determined until year end. The 2003 cost per policy was also reduced as the result of gains on sale of property.

### *2.3.2 Claims Productivity Measures (in lieu of the Claims Services Cost Per Reported Claim)*

As indicated in ICBC's February 27th filing, work was underway to develop a measure designed to evaluate ICBC's productivity in delivering claims services. The following provides updated information on the corporation's work in this area.

The work has resulted in the development of two separate measures: (i) injury productivity and (ii) property damage productivity.

Injury Productivity

The injury productivity measure is an indicator for assessing the overall injury handling costs for both Basic and Optional insurance coverages. This measure is the ratio of internal and external injury-related claims handling costs to the volume of injury claims. The volume of injury claims is defined as the average of the number of opened and closed exposures during the year.

This measure includes a small portion of exposures that are related to Optional insurance coverages but should have minimal impact on the overall trending of this measure.

**Figure 4.IV.17 - Performance Statistics**

| | 2003 Actual | 2004 Outlook |
|---|---|---|
| **Injury Productivity** | $871 | $886 |

In 2004, an increase in the cost per injury claim is anticipated due to the combination of an increase in claims handling costs and a decrease in injury claims. The increased claims handling costs are due to planned program and system changes in 2004, a reduction in the amortization of the pension plan surplus from 2003, which is not determined until year end, contractual salary adjustments, and inflation. These increases are offset by reductions in staffing and other costs. Decreases in claims volume are partly a reflection of short-term volatility observed in 2003.

Property Damage (PD) Productivity

Property Damage represents the Basic portion of Material Damage coverage. The property damage productivity measure is a ratio of internal PD related claims handling costs to the volume of PD claims (average of the number of opened and closed exposures during the year).

**Figure 4.IV.18 - Performance Statistics**

| | 2003 Actual | 2004 Outlook |
|---|---|---|
| **Property Damage Productivity** | $153 | $161 |

In 2004, an increase is anticipated due to planned program and system changes, a reduction in the amortization of the pension plan surplus from 2003, which is not determined until year end, contractual salary adjustments, and inflation. These increases are offset by reductions in staffing and other costs.

# 2.4 Directional Indicators

Directional indicators are not completely within ICBC's control and can be linked and/or influenced by external factors and events such as weather, levels of police traffic and crime enforcement, and the economy. The following are directional indicators of ICBC's success in reducing crashes and the associated claims costs. These measures are used by ICBC to review overall performance; deterioration in these rates indicates the need to reexamine road safety programs, and to review product design and offerings.

Directional indicators are calculated annually based on claims trends at the end of the previous year. The 2004 plan, based on claims trends observed at the end of 2003, represents the ICBC Board of Directors approved target for 2004 and was used in the 2004 – 2006 Service Plan (See Appendix 4.IV.C).

In the Negotiated Settlement, the Commission stated, that "The three Directional Indicators, New Driver Comparative Rate, Crash Rate, Injured Person Rate are believed to be somewhat informative but to have only limited usefulness in assessing Road Safety expenditures. The Auto Crime Rate directional indicator is believed to have insufficient usefulness for evaluating those Road Safety expenditures to be included as a Performance Measure."[13] As a result, the Auto Crime Rate measure has not been included in this filing with the Commission.

[13] Ibid, paragraph 4.1 page 2

### *2.4.1 New Driver Comparative Crash Rate*

This indicator compares the crash rate for new drivers relative to the crash rate for more experienced drivers to measure relative improvement over time. It is an indicator of the outcome of the Graduated Licensing Program (GLP) and other initiatives aimed at new drivers.

**Figure 4.IV.19 - Performance Statistics**

| | 2003 Actual | 2004 Plan |
|---|---|---|
| **New Driver Comparative Crash Rate** | 1.36 | 1.30 |

The GLP changes implemented in late 2003 are anticipated to have some impact on the 2004 crash rate, and a more noticeable impact is anticipated in future years beyond 2004. The target established for 2004 takes into consideration the impact of GLP changes.

### *2.4.2 Crash Rate*

This indicator is calculated as the number of crashes for every 10,000 annualized policy years. A crash is considered to have occurred when a financial reserve is established for a potential crash-related loss, irrespective of whether a payment is eventually made against the reserve. A policy year represents one year of insurance coverage.

**Figure 4.IV.20 - Performance Statistics**

| | 2003 Actual | 2004 Plan |
|---|---|---|
| **Crash Rate** | 1,044 | 1,110 |

2003 was an exceptional year due to the favourable driving conditions experienced during most of the year. At the time that the 2004 plan was established, it was anticipated that the crash rate in 2004 would be more typical. The 2004 target reflects a small increase in crash rate due to the anticipated improved economic situation. Historically, there has been some correlation between the state of the economy and crash rates.

### 2.4.3 Injured Person Rate

This indicator calculates the number of injured persons for every 10,000 annualized policy years. An injury is considered to have occurred when a financial reserve is established for a potential injury related loss, irrespective of whether a payment is eventually made against the reserve.

**Figure 4.IV.21 - Performance Statistics**

| | 2003 Actual | 2004 Plan |
|---|---|---|
| **Injured Person Rate** | 342 | 355 |

At the time when the 2004 plan was established, the injured person rate was anticipated to increase in 2004 reflecting the effect of an improving economy. Historically, there has been some correlation between the state of the economy and the injury rates.

# Appendix 4.IV.A

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June 29, 2004

British Columbia Utilities Commission
Attention: Robert J. Pellatt, Commission Secretary
Sixth Floor
900 Howe Street
Vancouver, BC V6Z 2N3

Dear Mr. Grant:

*Re: Insurance Corporation of British Columbia (ICBC) Performance Measures and Basic Insurance Information Sharing – Negotiated Settlement Agreement*

ICBC and BCCA continue to share information and to discuss Performance Measures that may be appropriate. We wish to advise the Commission that we do not have any documentation to include in ICBC's July 5th filing with the Commission.

Our next meeting is scheduled for July 13th, 2004.

Yours truly,

Don Nixdorf, DC, Executive Director
British Columbia Chiropractic Association

Derek Vettese, Vice-President, Claims
Insurance Corporation of British Columbia

# Appendix 4.IV.B

| | MEASURES | 2003 Actuals | 2004 Plan/Outlook* |
|---|---|---|---|
| Service | Insurance Satisfaction | 95% | 94% |
| | Driver Services Satisfaction | 91% | 87% |
| | Claims Services Satisfaction | 84% | 87% |
| | New Claims Initiation<br>Percent of calls answered in 210 seconds<br>Percent of calls answered in 120 seconds | <br>To be provided<br>To be provided | <br>To be provided<br>To be provided |
| | Customer Contact Service Level<br>Percent of calls answered in 90 seconds | To be provided | To be provided |
| | Customer Approval Index** | N/A | N/A |
| | Legal Representation Rate | 32.7% | 33.0% |
| | Complaints Heard by the Fairness Commissioner (files received) | 187 | 200 |
| Financial | Basic Insurance Loss Ratio | 95.5% | 98.2% |
| | Basic Insurance Expense Ratio<br>Basic Administrative Cost Ratio<br>Basic Premium Tax Ratio<br>Basic Commissions Ratio<br>Basic Insurance Expense Ratio | <br>4.2 %<br>4.0 %<br>2.0 %<br>10.2% | <br>4.4%<br>4.4%<br>2.1%<br>10.9% |
| | Basic Non-insurance Expense Ratio | 6.3% | 6.3% |
| | Investment Return***<br>Policy Benchmark Return<br>ICBC Portfolio Market Return | <br>6.1%<br>7.2% | <br>Determined by Market Indices<br>Benchmark +0.268% |
| | Injury Severity<br>Bodily Injury Paid Severity<br>Accident Benefit Paid Severity | <br>$20, 526<br>$1,823 | <br>$21,181<br>$1,700 |
| Efficiency | Cost Per Policy In Force | see Section 2.3.1 | |
| | Claims Productivity<br>Injury Productivity<br>Property Damage Productivity | <br>$871<br>$153 | <br>$886<br>$161 |
| Directional | New Driver Comparative Crash Rate | 1.36 | 1.30 |
| | Crash Rate | 1,044 | 1,110 |
| | Injured Person Rate | 342 | 355 |

*For new measures and where a performance statistic can be determined from updated financial information, this has been reflected as the 2004 outlook. For all other measures, the 2004 plan has been provided.
**N/A = Not Available.
*** Four Year Annualized Return

# Appendix 4.IV.C

ICBC INSURANCE CORPORATION OF BRITISH COLUMBIA

# Service Plan 2004 - 2006

January 2004

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# Introduction

## PURPOSE

The Insurance Corporation of British Columbia's (ICBC) 2004 - 2006 Service Plan provides the public with an overview of the Corporation's three-year plan to meet its responsibilities for providing auto insurance, driver licensing, and vehicle licensing and registration services. This Service Plan is designed to allow ICBC to set out its performance accountability to the public by describing:

- where the Corporation envisions itself in three years;
- what goals ICBC needs to achieve to reach this vision; and
- how ICBC defines and measures its progress toward achieving these goals.

In early 2005, ICBC will publish its Annual Report describing the extent to which the Corporation has accomplished its goals set out in this Service Plan. The Service Plan and Annual Report are two important components of the broader accountability framework for Crown corporations.

In developing the Service Plan, ICBC has relied upon the guidance provided by:

- the Legislative Assembly of BC's Select Standing Committee on Crown Corporations (SSCCC) in *A Guide to Operations,* April 2003,
- The Crown Agency Secretariat's *Guidelines for Government Organizations Service Plans,* August 2003, and
- The Shareholder Letter of Expectation between the Corporation and government.

## BALANCING ACCOUNTABILITY AND COMMERCIAL SENSITIVITY

ICBC competes with other insurance companies in the sale of optional auto insurance products in BC. These products account for over 1.2 billion of premium dollars and are an important component of ICBC's business. As a result, this Service Plan does not provide specific information pertaining to ICBC's competitive insurance products including competitive intelligence, performance measures and targets associated with the competitive line of business, and specific competitive business strategies. As a result of recent legislative changes aimed at increasing competition in BC's optional insurance market, ICBC is committed to providing aggregated statistical data to a government appointed statistical agent, similar to all other insurers operating in BC. ICBC will continue to provide customers and the public with information needed to understand the Corporation's plans and to evaluate ICBC's performance against those plans.

# Letter from the Chair of the Board

*On behalf of the Board of Directors and employees of ICBC, I am pleased to present the Corporation's 2004 - 2006 Service Plan.*

*The 2003 - 2005 Service Plan marked the beginning of the Corporation's path towards operating ICBC as a viable and efficient business for the benefit of its customers. A strategic course was set and goals and objectives were established. The accomplishment of these goals will provide ICBC with the flexibility and ability to compete effectively in BC's automobile insurance market. Unlike many other jurisdictions, ICBC has been able to maintain a low and stable rate environment and this will continue to be a key objective.*

*In preparing for a more competitive environment, the Corporation initially focused internally at improving operational efficiency. Within a short timeframe, ICBC underwent significant changes and reduced controllable costs by $174 million between 2000 and 2002. With these reductions, ICBC's operating base is at an appropriate starting point for moving forward. An integral part of this strategy involves a shift to a performance based culture whereby goals at all levels within the organization are aligned with corporate goals, and performance is evaluated against the achievement of these goals. In 2003, ICBC's financial performance has been strong, with a continued focus on managing claims and operating costs. Progress was made to shift ICBC along the continuum towards a high performance culture with the introduction of the Performance Management system for non-union employees. Performance based arrangements have also become the new approach for interactions with suppliers of goods and services, and with key business partners. The drive for operational excellence has resulted in positive financial results to date and will continue to be consciously pursued in the future.*

*Under ICBC's new governance structure with the BC Utilities Commission as its regulator, internal processes and capabilities will be developed to support the requirements of the regulatory process. With recent changes in legislation targeted at increasing competition in the automobile insurance market, ICBC will be positioning to operate and respond to market conditions on a similar basis as private insurers. Major changes may result once regulations in support of the legislation are defined. In the provision of the mandatory basic insurance product, ICBC will continue to be the sole provider, offering coverage to all and using a non-discriminatory pricing approach. Exceeding customer expectations and providing value will continue to be the overall thrust for all operations.*

*For 2004 - 2006, ICBC will continue to pursue the objectives and strategies outlined in this Service Plan to become the leading insurance company, operating competitively and valued by its customers.*

T. Richard Turner
Chair
Board of Directors

# Statement of Accountability

The 2004 - 2006 Service Plan was prepared under our direction in accordance with the *Budget Transparency & Accountability Act.* We are accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with government's strategic priorities and overall service plan. Significant assumptions and identified risks, as of December 31, 2003 have been considered in preparing the plan. We are accountable for ensuring ICBC achieves the objectives identified in the plan and for measuring and reporting actual performance. Achievement of results may be influenced by factors, such as legislative and other external changes, which are beyond the control of the Corporation.

T. Richard Turner
Chair
Board of Directors

Nick Geer
President and CEO

# Governance

Governance defines the roles, relationships, powers and accountability among shareholders, the Board of Directors and management. At the highest level, governance of a Crown corporation is defined through legislation applicable to all Crown corporations, such as the *Budget Transparency & Accountability Act*. In addition, individual Crown entities are governed by legislation specific to the Crown corporation, such as the *Insurance Corporation Act* in the case of ICBC, and through the Shareholder Letter of Expectation established between a Crown corporation and the Minister responsible. Within the organization, an appropriate governance structure is required to define the roles and responsibilities between the Board of Directors and senior management.

## ICBC as a Regulated Crown Entity

As a result of the decisions arising from government's Core Services Review, significant changes were implemented and considerable progress was made in defining the regulatory framework under which ICBC operates and competes. In order to fulfil its mandate of improving accountability and transparency for rate setting, the *Insurance Corporation Amendment Act* was enacted in August 2003, which established the British Columbia Utilities Commission (BCUC) as the independent regulator for ICBC. The primary responsibility of the Commission will be to approve rates for basic insurance, ensure that basic insurance premiums do not subsidize optional insurance, and monitor ICBC's competitive behaviour as a dominant player in BC's optional insurance market.

Further direction was provided to BCUC, under the regulation *Special Direction IC1*, requiring the Commission to fix rates for basic insurance, which would be consistent with ICBC achieving a net income target of $36 million in 2004. This was the basis upon which ICBC prepared and filed its first revenue requirement application in August 2003. Following the filing, ICBC conducted a workshop and underwent a written hearing process for the justification of its rate application. The process provided an opportunity to intervenors, with legitimate interests, to raise questions and highlight issues relevant to the setting of rates for basic insurance.

The Corporation applied for a 1.3% increase in basic insurance rates and was granted a 0.4% increase, specifically for the increase in premium tax. The remainder of the requested increase of 0.9% for a potential increase in legal costs was denied.

As a Crown corporation, ICBC continues to be subject to the *Budget Transparency & Accountability Act,* the *Financial Information Act,* the *Financial Administration Act,* and the *Freedom of Information and Protection of Privacy Act.* Under these acts, ICBC is accountable for making public its strategic plan and performance against the plan. In addition, the Corporation is required to provide financial and other information in accordance with the requirements of the applicable disclosure legislation.

In the provision of basic and optional insurance, and non-insurance services on behalf of government, ICBC is also required to adhere to the requirements of these acts:

- *Insurance (Motor Vehicle) Act*
- *Motor Vehicle Act*
- *Commercial Transport Act*
- *Motor Vehicle (All Terrain) Act*
- *Sales Tax Act (of BC)*
- *Insurance (Vehicle) Act*

The basic mandatory insurance and optional insurance legislative requirements were previously contained in the *Insurance (Motor Vehicle) Act (IMVA)* for ICBC and optional insurance legislative requirements offered by private insurers were contained in the *Insurance Act (IA)*. In late 2003, changes were enacted to provide for a more competitive environment for optional insurance. The *IA* and the *IMVA* were restructured and renamed to the *Insurance (Vehicle) Act,* which now contains optional insurance provisions for both ICBC and private insurers. The government indicates that the new legislation is expected to take effect in nine to twelve months.

**ICBC Board Governance**

As a Crown corporation, ICBC's board members are appointed by the Lieutenant-Governor-in-Council. In late 2003, a new Chair was appointed to ICBC's Board of Directors with the previous incumbent continuing in the role of President and CEO. The Board currently consists of nine members with a broad range of expertise and experience. The individual members each play an important role and also contribute as members of committees of the Board. Terms of reference for each committee are established and updated as required.

The Board of Directors guides the Corporation in fulfilling its mandate, and sets direction for ICBC. The Board and management approve the corporate vision, mission, values and goals to guide the Corporation. The corporate goals and associated objectives form the basis upon which accountability and performance is evaluated. Performance against these goals and objectives are reviewed periodically and revised when necessary. The governance processes and guidelines outlining how the Board will carry out its duties of stewardship and accountability are set out in the Board Governance Manual, which is updated by the Governance Committee annually.

In 2003 ICBC had one wholly owned subsidiary, ICBC Properties Ltd. (IPL), which was created in 1999 to manage the real estate held within ICBC's investment portfolio, including real estate development. With the completion of the Central City development and realignment of investment objectives, IPL will be dissolved in 2004. Surrey City Center Mall Ltd., which was previously a subsidiary of IPL, will now be held by ICBC directly and will continue as a separate legal entity for the sole purpose of holding and operating Central City. Other properties previously held by IPL will be managed through ICBC's investment portfolio in accordance with the Corporation's investment policy and the associated legal framework that prescribes how ICBC must undertake its investments.

# Overview of ICBC

ICBC is currently one of BC's largest corporations and writes more auto insurance than any other company in Canada. ICBC has over $6.7 billion in assets, of which $6.4 billion relates to investments, and approximately 4,800 full-time equivalent employees. ICBC provides its insurance products, driver licensing, vehicle registration and licensing services through a network of over 900 independent brokers located throughout the province. ICBC has made an ongoing strategic partnership commitment with brokers to deliver its products and services. In the course of its overall business, ICBC deals with many other business partners and suppliers, including law enforcement agencies, members of the auto repair industry, defense lawyers, and health service providers, in both urban and rural communities across British Columbia.

## THE AUTOMOBILE INSURANCE PRODUCT

Like all vehicle owners across Canada, BC residents are required by law to purchase a basic package of insurance. Private passenger and commercial vehicle owners (excluding buses, taxis, limousines and extra-provincial trucking and transport vehicles) are provided with $200,000 in third-party legal liability protection, $150,000 in no-fault accident benefits, and $1 million of underinsured motorist protection. In BC, the basic package is provided solely by ICBC.

The automobile insurance product in BC is based on a full tort scheme. Under this scheme, injured parties are entitled to take the at-fault party to court for the full amount of his or her damages. In addition, the insured injured party has access to a maximum of $150,000 for medical and rehabilitation expenses and up to $300 per week for wage loss through their basic insurance from ICBC. In contrast, in provinces with variants of no-fault automobile insurance, compensation can be based on predetermined benefit schedules regardless of who was at fault, caps established for pain and suffering awards or subject to deductibles. In these provinces, there may be limited or no ability to sue for further damages.

The difference between BC's tort based insurance product and certain other provinces' no-fault insurance products, makes inter-provincial comparisons quite difficult since the cost structure of each scheme is unique. Claims costs in a tort environment are primarily driven by litigation costs, claims settlement amounts, and legal precedents which add a level of uncertainty and unpredictability to costs. In a no-fault environment, costs are driven predominantly by wage replacement and no-fault medical and rehabilitation costs. Comparisons should only be made and interpreted with these differences in mind.

In addition to providing basic insurance, ICBC also competes with other automobile insurance companies in a competitive market in the sale of extended third-party legal liability, collision, comprehensive and other optional insurance coverages. As indicated earlier, in late 2003, changes to legislation were introduced to provide for a more competitive environment for optional insurance.The government indicates the legislation is expected to take effect in nine to twelve months.

## INSURANCE, CLAIMS & LOSS MANAGEMENT

As a business, the primary function of insurance is to spread risk through the collection of premiums from many to pay for the losses of a few - where the amount of premium reflects the risk of loss. In 2003, based on forecasted numbers, ICBC will earn over $2.8 billion in premiums for both basic and optional insurance and incur approximately $2.2 billion in claims costs.[1] This amounts to over 900,000 insurance claims processed annually through ICBC's 24-hour telephone claims handling facility, province-wide network of 39 claims centres, and its corporate website, www.icbc.com.

ICBC also works alongside a number of key partners to invest in loss management programs to reduce crashes and auto crime. These partners include the Ministry of Public Safety and Solicitor General, the enforcement community, the Attorney General, the Ministry of Transportation, brokers, municipalities, community groups and volunteers. The ultimate goal of loss management is to help to control automobile insurance claims costs and maintain affordable insurance premiums for all. In 2003, ICBC expects to spend approximately $40 million on loss management and road safety.

## NON-INSURANCE SERVICES

Unlike traditional property and casualty insurers, ICBC provides a number of non-insurance services on behalf of government. These services include vehicle and driver licensing services, vehicle registration, government debt collection, and funding for commercial vehicle compliance.[2] The provision of these services and the associated costs are outlined in an agreement between ICBC and government that came into effect on September 1, 2003.[3] As set out in provincial regulation *Special Direction IC1,* the cost of these non-insurance expenses are funded through ICBC's basic insurance premiums, and amounts to about $39 premium per basic insurance policy or over $100 million annually. These costs are not borne by private sector insurance companies. ICBC also collects revenues of over $400 million annually from the provision of these non-insurance services and remits them in full to the provincial government.

## INVESTMENTS

Investment income is typically a significant component of any insurer's overall net income and plays an important part in minimizing the cost of insurance. ICBC holds investment assets to offset future claims payments and to provide reserves to mitigate future volatility in insurance rates. Similar to other P&C insurers offering auto insurance products, ICBC tends to be conservative by having the majority of its investments held in the form of fixed income instruments or bonds. Equities and real estate are held to enhance returns and provide added diversification. All investment transactions are governed by a set of guidelines and procedures, which are outlined in a Board-approved Investment Policy. This policy specifically addresses the Corporation's risk tolerance and investment goals, and specifies a long-term investment asset mix consistent with these objectives. It also specifies market-linked benchmarks against which investment performance is evaluated.

[1] Excludes expenses for claims services, administration, loss management or non-insurance activities.

[2] As part of the implementation of ICBC's Core Services Review decisions, the commercial vehicle compliance and motor carrier functions were transferred to the provincial government in 2003. ICBC will provide annual funding of $24.7 million to government for the management of these functions up to and including March 31, 2006.

[3] Refer to Service Agreement between the Ministry of Public Safety and Solicitor General and the Insurance Corporation of British Columbia, September 1, 2003.

# Strategic Context

Insurance is a complex business impacted by many external trends, factors and risks. For the development of ICBC's three-year strategy, it is necessary to understand the planning context and key strategic issues facing the Corporation, as discussed below.

## INDUSTRY & COMPETITIVE CONTEXT

### Profitability of Canadian Property & Casualty Insurance Industry

As identified by the federal Office of the Superintendent of Financial Institutions (OSFI), in its "Report on the Property and Casualty (P&C) Insurance Industry in Canada", the financial performance of the property and casualty industry has been deteriorating over the last several years.[4] This lack of profitability has resulted in a significant reduction of capital levels and more companies have been approaching OSFI's regulatory minimum capital target thresholds.[4]

To address this situation, the industry is getting back to the basics of insurance underwriting. Premium levels in a number of business lines have increased significantly to better reflect costs, and unprofitable segments of the business have been scaled back or eliminated. The Insurance Bureau of Canada (IBC) has reported that the financial health of the insurance industry has improved during the first half of 2003, although it has not yet recovered.[5] The property insurance component of the insurance market has returned to healthy conditions; however, the automobile insurance market continues to be an area of concern for the industry.[5] In the most recent report from IBC, "Canadian insurers earned a small underwriting profit during the second quarter [of 2003], and industry earnings improved to a 5.9 percent return on equity." [5]

### Automobile Insurance

Automobile insurance is a unique business with its own set of individual characteristics and challenges. It is the largest source of premium revenue within the property and casualty industry, representing $12.3 billion or 42% of total net premiums earned.[6] As mentioned earlier, it also represents one of the most troubled areas currently within the property and casualty insurance sector in Canada. Growing claims costs, due to rising medical costs, larger court awards for pain and suffering for minor soft tissue injuries, and increasing numbers of injury claims despite declining numbers of automobile accidents, is a major issue for automobile insurance.[7] Lower levels of investment income to supplement underwriting results have further exacerbated the lack of profitability in this insurance line.

In order to address rising cost issues, there have been significant increases to automobile insurance premiums across Canada, averaging 22.2% between September 2002 and September 2003.[8] An IBC study of automobile insurance indicated that "...average premiums grew 9% in 2001, 15% in 2002, and currently premiums are 20% more than they were last year" in provinces without government insurance.[9]

There are significant challenges in comparing automobile insurance rates between provinces due to

[4] Office of the Superintendent of Financial Institutions, Report on the Property and Casualty (P&C) Insurance Industry in Canada, Sept 19, 2003.
[5] Insurance Bureau of Canada, Perspective, Volume 9, Number 3, September 2003.
[6] Canadian Underwriter Statistical Issue, 2003.
[7] Office of the Superintendent of Financial Institutions, Report on the Property and Casualty (P&C) Insurance Industry in Canada, Sept 19, 2003 & Standard & Poor's Ratings Services, Canadian Property & Casualty Insurance Report Card, May 2003.
[8] Statistics Canada, The Consumer Price Index, September 2003, Catalogue no. 62-001-XPB. Premium income based on a four-year old vehicle.
[9] Canadian Insurance, July 2003 pg6.

differences both in the insurance product and benefits provided (i.e. tort versus no-fault) and in the types of automobile insurance risks that exist in each respective province. Traffic density, weather, vehicle types, demographics, and the number of uninsured motorists also impact the cost structure of providing automobile insurance. As highlighted earlier, comparisons should only be made and interpreted with these differences in mind.

The recent premium increases in Canada have had a real impact on the livelihood of consumers across Canada. Provincial governments and regulators have been challenged by the public to respond to consumer concerns and are looking at options to address the issues around automobile insurance.

### Regulatory Trends & Product Changes

Governments are becoming involved in the issues giving rise to escalating insurance rates. Insurers and consumers are pressuring governments to examine insurance products and to find legislative solutions to minimize cost and increase access to insurance coverage. Some of the key regulatory developments with respect to automobile insurance across Canada include:

- In the Atlantic provinces, to deal with the increases in insurance rates, a number of significant changes have been introduced by various provincial governments. The New Brunswick government introduced reforms to cap pain and suffering awards at $2,500 for "minor personal injuries" with the expectation of premiums going down by 20% on average.[10] In Nova Scotia, the government has frozen rates for one year, mandated a 20% rollback[11] of insurance rates and introduced new underwriting restrictions related to the use of age and marital status.

- In Ontario, the newly elected Liberal government has followed through on its election campaign commitment to instigate a rate freeze on automobile insurance as a means to deal with rising insurance costs. The government is expected to introduce further changes to the insurance product to address the issues of rising claims costs. This includes setting a $30,000 threshold[12] before a claim can be launched as well as targeting to bring rates down 10%.[13]

- The Alberta government has mandated a rate freeze on escalating insurance rates, while it is in the process of examining product reforms. Reforms which have been introduced include a $4,000 compensation limit for pain and suffering on minor injuries, prohibition in using age, sex and marital status as factors in setting premiums, and a change in accident benefit levels from $10,000 to $50,000.[14]

## KEY STRATEGIC ISSUES/RISKS

The following are some of the key issues and risks with respect to automobile insurance in BC that could have an impact on the Corporation's future performance:

- ***Competition*** - ICBC competes with private insurers in providing optional insurance products to customers. While provincially ICBC has 87% of the optional insurance market, this can vary significantly in different areas of the province. In areas where there is a predominance of drivers in the low risk category and where competition is greatest, ICBC's market penetration can be as low as 41% - 49% depending on the type of coverage. This competition is expected to intensify over time with the recent legislative changes.
- ***Regulatory Review*** - With ICBC's new governance structure in place and BCUC's jurisdiction over ICBC's

[10] Thompson's Daily Insurance News Service, June 18, 2003.
[11] Thompson's Daily Insurance News Service, October 31, 2003.
[12] Thompson's Daily Insurance News Service, September 11, 2003.
[13] Thompson's Daily Insurance News Service, November 3, 2003.
[14] Canadian Underwriter, November 21, 2003.

basic insurance rates and ICBC's competitive activities in the optional insurance market, there are potentially significant impacts to ICBC's financial performance and operations. Any competitive responses by ICBC as the dominant player in the optional insurance market may become the subject of review by BCUC. ICBC's flexibility to respond to market conditions and competitor actions, on an equal basis to private insurance companies, will determine the Corporation's performance. The recent decision from BCUC outlined numerous requirements expected of ICBC in preparation for more comprehensive reviews anticipated for the public hearings expected in 2004, which may include competitive issues. ICBC will need to strengthen its internal processes and augment its resources to better support the requirements of the rate approval process established by BCUC.

- ***Legislative Changes*** - The government has recently passed amendments to the *Insurance (Motor Vehicle) Act* and the *Insurance Act* to ensure that all optional auto insurance policies are governed by the same provisions and to increase competition in the optional insurance market. The amendments implement government's direction to increase competition in BC's optional insurance market while retaining ICBC as the sole provider of basic auto insurance. These changes will require ICBC to modify its point of sale process, participate in the sharing of statistical data and will result in other changes to the current way in which optional transactions are handled. These changes will result in increased costs for ICBC's operations and could impact the financial performance of the Corporation. Other legislative changes, such as the increase in premium tax from 4.0% to 4.4%, have been passed on to policyholders through premiums.
- ***Medical Costs*** - Government policy changes which will impact claims costs relate to agreements between ICBC and the Ministry of Health for medical costs. Payments to the Ministry of Health are expected to be approximately $35 million for 2003 for costs related to inpatient services, outpatient services, medical practitioner services, ambulance services, and chiropractic, massage and physiotherapy services. These costs could be impacted as ICBC is currently in discussion with government with respect to the Corporation's contribution.
- ***Claims Costs*** - Claims costs have not escalated at the same rate as other provinces; however bodily injury claims costs continue to rise due mainly to higher injury settlements, a portion of which relates to healthcare costs. Legal costs also continue to increase in BC's tort environment. One area where there is a potential for an increase relates to the tariff of legal costs payable to successful litigants. The Supreme Court of BC Rules Revision Committee is currently considering an increase in the reimbursement of legal costs from 25-30% to 50%. On a corporate basis, this translates into a potential increase of approximately $120 million to claims costs for 2003 and prior years, and $30 to $45 million for each year thereafter.
- ***Automobile Crime*** - B.C. has one of the highest auto theft rates in Canada. In 2002, the Canadian average was 514 thefts per 100,000 population and B.C.'s rate was 869.[15] In 2002, auto crime cost ICBC's policyholders approximately $139 million, and between 1996 and 2002, the cost exceeded $900 million. Although the rates of vehicle break-ins and vandalism have decreased significantly in 2003, vehicle thefts are still on the rise.
- ***Investment Market*** - The current outlook for investment yield reflects the current low interest rate environment and conservative, yet positive, equity returns associated with an improving economic market. Uncertainty of economic improvement and the unpredictable nature of geopolitical events will result in continued volatility. This environment affects the investment performance of all insurers and has curtailed investment income available to offset claims costs requiring insurers to focus on sound under-writing practices. The state of the financial markets, although showing an improvement in 2003, is not expected to change dramatically in the near to short

[15] Canadian Centre for Justice Statistics (part of Statistics Canada)

term, and lower investment income and yields are expected to continue.

- ***Financial Strength of ICBC*** -ICBC's reserves were significantly depleted after $219 million of dividends and the associated costs were paid out in early 2001, and the year ended with a net loss of $251 million. Since then, ICBC's financial position has improved dramatically with earnings of $45 million posted in 2002 and 2003 is forecasted to significantly exceed the Service Plan net income target of $45 million. It should be noted that 2003 was an exceptional year where there was an increase in the premiums written and ICBC was able to maintain business volumes as expected deterioration due to competition did not materialize to the degree forecasted. Claims costs were also lower than expected due to insurance product changes and unusually favourable driving conditions in 2003. Prior years' claims have also shown positive development, which has been offset by the impact of an increase in legal costs arising from the potential change in court tariff. ICBC has continued its vigilance over controllable costs, which are also expected to be lower than originally forecasted. These results will allow the Corporation to move forward in rebuilding its retained earnings to enhance financial stability and to provide BC drivers with low and stable rates.
- ***Labour Relations*** - One of ICBC's core strengths is its people and the Corporation recognizes the significant contributions of its employees. ICBC operates in a competitive environment that demands customer needs to be met, and in a regulated environment that requires ICBC to be efficient in providing service. ICBC is currently in contract negotiations and is seeking changes to the Collective Agreement that will provide the flexibility to give services that customers expect, that best position ICBC to be successful over the long term and allow all employees to share in the success of the company. Recent settlements within the public sector are incorporating significant changes that improve flexibility to serve customers and increase efficiencies. While ICBC is hopeful of a timely resolution to these negotiations, preparations have been made to ensure customers are not adversely affected if there is a work stoppage arising from the current situation.
- ***Information Technology Systems*** - As with many large financial institutions, ICBC is challenged with evolving the Corporation's information systems to meet business requirements and keep pace with technological advances. Systems will need to be flexible and adaptable to enable ICBC to respond in an increasingly competitive optional insurance market. ICBC is constantly examining new technology to identify opportunities for increasing efficiencies and value to customers. As an example, ICBC will be transitioning to a more current computer operating environment throughout the Corporation and to make more optimal use of the computer technology.

# Corporate Strategy

## VISION

ICBC will be the leading insurance company in all aspects of its business, operating competitively and valued by its customers.

## MISSION

We will be the insurer of choice delivering insurance products, licensing services, road safety, and other loss management initiatives that are superior, innovative and valued by our customers, at the lowest cost possible. Our reputation will be as a dependable, fair, equitable, and competitive service provider. We will accomplish this with our dedicated employees working in a performance-based culture achieving operational excellence with the assistance of our independent broker force and other business partners.

## VALUES

**Integrity** - We value people by treating others with respect and dignity. We are honest by representing our intentions and ourselves truthfully. We will be accountable for our performance and ensure decisions made are supportable.

**Commitment** - We demonstrate commitment as employees by doing our best work at all times. ICBC leadership demonstrates commitment to employees by creating a work environment that supports employees in making their best contribution for the *benefit of the customer*. We are committed to operating in a cost-effective manner and will continue to seek ways to improve efficiency.

**Dedication to the Customer** - We measure our success by our customers' belief that ICBC products and services provide good value for their money. We provide excellent customer service by approaching every customer interaction as an opportunity to create a positive customer experience.

# Strategic Goals, Objectives, Strategies and Performance Measures

For 2003, ICBC determined its strategic course and proceeded down the path towards achievement of its strategic goals. The goals and strategies established will provide ICBC with the flexibility and ability to compete effectively and be successful in the automobile insurance market in BC. ICBC is resolute in its course and progress made to date confirms that ICBC is moving in the right direction for serving and providing value to its customers. For 2004 and forward, ICBC will continue down the current path, run the Corporation responsibly and respond appropriately to external pressures.

ICBC's strategy is comprised of four goals:
- Become More Competitive
- Customer Focused
- Revenue Driven & Fiscally Responsible
- Personally Accountable, Capable & Engaged People

For each goal, specific objectives are established to guide the Corporation, and measures and targets are set for evaluating performance. Internally, these same objectives, measures and targets form the basis of performance management and drive results at a divisional, department and individual level. Priorities are set and the allocation of resources is based on these corporate goals. ICBC systematically reviews the key strategic issues facing the Corporation as part of its ongoing risk management processes and, as a result, may need to adjust strategies as warranted to reflect the impact of external factors.

ICBC has selected both financial and non-financial corporate performance measures to assess the Corporation's progress towards its goals and objectives. Industry standard measures were selected where appropriate to facilitate benchmarking with other insurance companies. The objectives, strategies and measures related to each strategic goal are discussed in the following section.

## ICBC'S STRATEGIC GOAL MAP

The following diagram demonstrates the inter-relationship among the four corporate goals. ICBC's achievement of its vision is dependent on its success in all four areas.

## BECOME MORE COMPETITIVE

The goal of becoming more competitive drives many of the decisions and activities of the Corporation. Accomplishment of this goal rests, in part, in ICBC's ability to serve customers well and provide value. Staying focused on this objective will serve ICBC well in the long run, regardless of changes in the external environment.

Recent legislative changes have been made to increase competition in the optional auto insurance market. Optional insurance policies, whether issued by ICBC or private insurers, will now be governed by the same legislation. The new legislation removes references to optional insurance in the *Insurance Act (IA)* and the *Insurance Motor Vehicle Act (IMVA)* has been restructured and renamed to the *Insurance (Vehicle) Act (IVA)*. These changes will require ICBC to modify its point of sale process, participate in the sharing of statistical data and will result in other changes to the current way in which optional transactions are handled. ICBC has been preparing for these changes, will continue to invest in these changes, and will implement and transition these changes over the next few years to ensure potential impacts to customers are minimized. The Corporation will also ensure that the basic business does not subsidize the optional business by continuing to improve the manner in which costs related to the basic and optional businesses are captured.

Regulations in support of recent competitive legislative changes are being developed. ICBC will be required to be flexible and continually reassess its strategies in response to competitive pressures. It is ICBC's intent to protect the interests of policyholders by continuing to operate the Corporation as a viable and sustainable business.

Despite the challenges ahead and potential market disturbance as changes are implemented, the expectations of and benefits to customers will continue to be paramount. Whether customers are renewing a driver license, purchasing automobile insurance, or paying a government fine, customers expect to be served well. Customers expect value for what they purchase and, in this environment, it is important to know one's customers and competitors, and to adapt, as conditions require. To be successful in becoming more competitive, the Corporation needs to be focused on performance and results - benchmarking wherever possible to best practices and working closely with its business partners.

Becoming more competitive also includes ensuring ICBC's insurance products are priced appropriately and competitively. For optional insurance, ICBC will be moving towards risk based pricing in a number of areas and underwriting risks more selectively. For basic insurance, ICBC will continue to use non-discriminatory underwriting practices to ensure all vehicle owners and drivers can access affordable auto insurance.

Finally, to become more competitive, the Corporation will build its financial strength to deal with unexpected events. Appropriate retained earnings will enable ICBC to potentially absorb the impact of these events while still providing the lowest and most stable rates possible.

### Objectives

- **Deliver innovative, competitive and tailored optional products and services that are valued by customers, self funded and priced based on risk.**
- **Achieve planned financial results.**

### Strategies

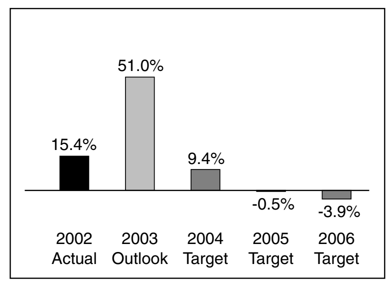
- Focus on financial results to build retained earnings to appropriate levels.
- Continue to serve customers well and do what is best for them.
- Review and adjust optional insurance premiums to ensure appropriate rates are being charged for the losses incurred by each rate group.
- Continue to roll out implementation of the performance management system.
- Put in place the capabilities, processes, and systems required to be able to respond to changes in market conditions.

## Performance Measures

*Return on Equity -*

This is a standard financial measure that indicates the change in value to a shareholder for investing in an organization. This measure enables ICBC to measure its progress towards becoming more competitive and allows the provincial government to measure the financial return from ICBC on an annual basis. As indicated earlier, 2003 was an unusually strong year in terms of financial performance, due in part to exceptionally good driving conditions that prevailed in the first part of the year and the resulting reduction in claims costs. Such deviation from normal trends is characteristic of the volatility of the insurance business. The target established for 2004 is consistent with normal trends and ICBC's legislative requirements for specific net income targets. The targets for 2005 and 2006 are expected to be lower than 2004 to reflect the impact of the erosion in ICBC's premium volume, its ability to respond to competitors, and deterioration in profitability (loss ratio) as competition in the optional insurance market increases as a result of legislative changes . This is discussed at greater length in the Summary Financial Outlook section. Industry return on equity was 1.8% for 2002[16] and has shown improvement in the second quarter of 2003 at 5.9%.[17] ICBC has lower retained earnings levels relative to its business when compared to the industry, which results in greater volatility in ICBC's return on equity measure.

RETURN ON EQUITY




For the previous Service Plan, ICBC had adopted the adjusted 2-year rolling return on equity as a performance measure. This measure is standard in the industry and is intended to provide an indication of a change in shareholder value over a 2 year period. For 2004 onwards, ICBC believes this measure is redundant and as a result, it is no longer included as a performance measure. It does not provide additional informational value above the annual return on equity measure, and is not based on a sufficient period of time to provide a longer term view of the change in shareholder value.

[16] Insurance Bureau of Canada, Perspective, Volume 9, Number 2, June 2003.
[17] Insurance Bureau of Canada, Perspective, Volume 9, Number 3, September 2003.

*Combined Ratio -*

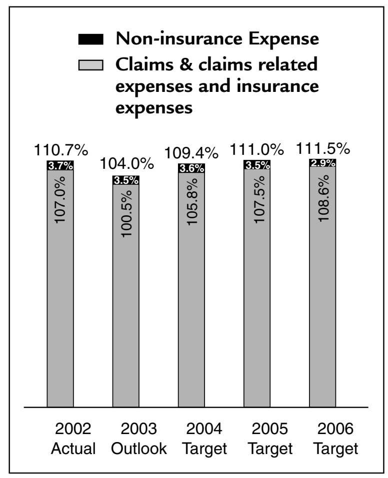
The combined ratio is a key measure within the insurance industry of overall profitability. This measure is calculated as the ratio of costs (claims costs, claims related costs, administrative costs, acquisition costs and non-insurance costs) to insurance premium dollars earned. A ratio of below 100 percent indicates an underwriting profit while a ratio above 100 percent indicates an underwriting loss.

According to a statement made by a representative of the IBC during an interview,

> *"The lines of homeowners insurance and business insurance are currently producing income for the industry, but auto insurance, which represents more than 50% of the business, is still a losing proposition - for every dollar insurance companies are writing in auto insurance, they are losing anywhere between $1.10 and $1.20 in various provinces across the country."*[18]

The above statement suggests a combined ratio of 110% to 120%. ICBC's combined ratio, which includes non-insurance costs, has been at the low end of this range and the targets established for 2004-2006 are consistent with this past performance. These targets are consistent with 2002 actual performance and are higher than the 2003 outlook. Favourable driving conditions in 2003 and other factors resulted in lower claims costs, which contributed to the lower combined ratio for 2003. For 2004-2006, the combined ratio targets reflect a return to normal claims trends, the impact of the potential increase in court tariffs for legal cost reimbursement, and a deterioration in the quality of business from increased competition in the optional insurance market brought about by legislative changes. These targets represent a challenge for the Corporation since there will be new on-going costs as ICBC is required to meet new regulatory and legislative requirements. There will also be timing and short term cost issues as ICBC endeavors to adjust its infrastructure and fixed costs to reflect long term changes in business volume. In addition, ICBC's operating costs include approximately $100 million in non-insurance costs, which are costs not incurred by private insurers. ICBC is also mandated to provide basic insurance to all drivers in BC, including the category of high-risk drivers whose claims costs are proportionally higher. This results in higher than normal loss and combined ratios for ICBC relative to those insurers who may limit their exposure to such business.

COMBINED RATIO




*Source: ICBC Financial Systems*

[18] CBC National Interview with Stan Griffin, September 23, 2003.

## CUSTOMER FOCUSED

In support of its goal of becoming more competitive, ICBC must continue to run the business for the benefit of the customer and ensure actions are in the best interest of policyholders. This includes better understanding customers' needs and expectations, and delivering customer-valued products and services. As an example in 2003, customers are now able to initiate their claim through the convenience of the Internet through www.icbc.com.

ICBC will maintain high levels of customer confidence and satisfaction by providing respectful, reliable, responsive, and empathetic service. Working with its brokers and other business partners, ICBC will focus on providing products which meet customer needs and ensure its claim settlement process is fair and responsive. This goal of being customer focused is also aligned to government's objective of reducing red tape among government organizations for customers.

### Objectives

- **Increase customer approval of ICBC as a result of informed opinions and a better understanding of the value and operations of the company.**
- **Improve service to customers by streamlining processes and reducing the number of regulatory requirements placed on customers and claimants.**

### Strategies

- Enhance ICBC's ability to listen, collect and analyze feedback to assist in making better decisions regarding product and service improvements.
- Review existing products and services to identify and implement improvements aligned with customer and competitive needs.
- Align new product and service development with customer needs with the assistance of our broker partners.
- Evolve the claims process to ensure customers are satisfied with the settlement process and support the Corporation's goal of becoming more competitive.
- Provide customers with information that describes ICBC and the value it generates.
- Reduce the number of regulatory requirements placed on customers and claimants, consistent with government expectations for Crown corporations and continue to maintain these requirements at this new base.

### Performance Measures

The key customer service measure of performance for ICBC will be the percentage of satisfied customers. A separate measure is used to measure each major transaction type - broker transaction, driver service and licensing, and claims. The design of the measures and targets established reflect the differences in the nature of these transactions. An independent research firm is retained to conduct monthly surveys of customers for the purposes of monitoring satisfaction. The number of surveys completed is targeted to achieve a range of accuracy of results of between 0.5% to 3.0% at a 95% confidence level.

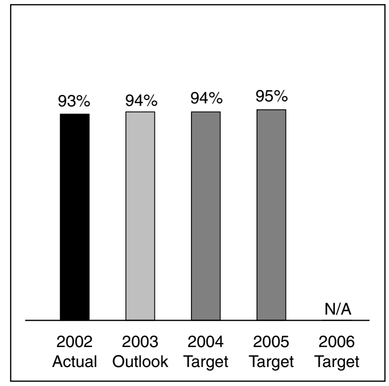
*Customer Approval Index -*

The Corporation is in the process of developing a new performance measure, which is expected to provide a corporate view of the level of customer approval. It is expected that this measure will replace or complement the three measures of Autoplan percent satisfied, driver services percent satisfied, and claims percent satisfied in 2006 and for this reason, targets have not been determined for 2006 at this time. During this time, analysis is underway to collect data, establish an appropriate baseline and to fully understand the factors which affect this measure.

*Autoplan Percent Satisfied -*

Each year, ICBC's insurance brokers process approximately 2.7 million policies for customers. This measure represents the percentage of customers satisfied with a recent insurance transaction with ICBC and will be based on surveys of close to 1,000 customers. Historically, this percentage has been over 90% and is indicative of the positive relationship between customers and brokers. The targets established for 2004-2006 are consistent with historical results.

AUTOPLAN SATISFACTION

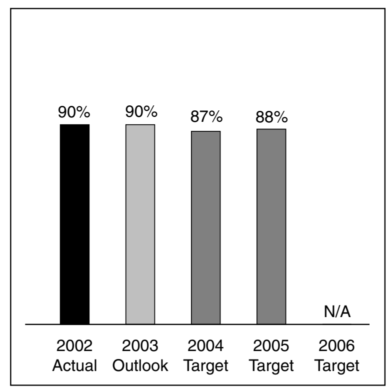



*Source: Surveys conducted by independent firm.*

*Driver Services Percent Satisfied -*

On an annual basis, ICBC performs over 1.2 million transactions relating to the issuance of driver licenses and driver exams. This measure represents the percentage of customers satisfied with a recent driver licensing transaction with ICBC. The transaction could relate to renewing a license, taking a knowledge test or undergoing a road test. The measure is weighted by the number of transactions for each type of service. In late 2003, the provincial government implemented changes to the GLP program, which is expected to have a dampening impact on the satisfaction levels of new drivers affected by the changes. The targets have been established to take this into account. ICBC is examining options to address this challenge and any resulting changes are not expected to have an impact until 2004. A sample of approximately 4,000 customers is surveyed throughout the year for this measure.

DRIVER SERVICES SATISFACTION

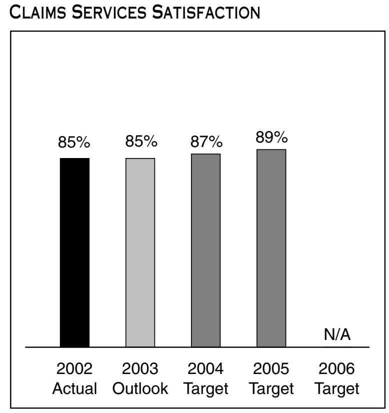



*Source: Surveys conducted by independent firm.*

*Claims Percent Satisfied -*

ICBC processes approximately one million claims each year through its claim handling facilities. This measure represents the percentage of customers satisfied with a recent claims transaction with ICBC and is based on a sample of over 9,500 claims customers. Starting in 2003, changes were made in the sample selection and calculation of the measure. These changes are intended to allow ICBC to benchmark its performance to P&C companies in Ontario where claims satisfaction was 85% in 2002. The targets established for ICBC for 2004-2005 exceed historical results, challenge the Corporation to continually improve in this area and demonstrate ICBC's continued commitment to the customer.

CLAIMS SERVICES SATISFACTION

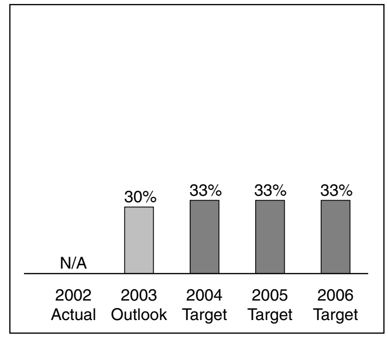



*Source: Surveys conducted by independent firm.*

*Deregulation -*

In support of the provincial government's deregulation initiative, ICBC is working to achieve a one-third net reduction in the regulatory burden on customers, suppliers, and employees by June 2004 and maintain this new base through 2005-2006. Measurement for this objective will be the percentage reduction in "regulatory requirements" within the Corporation's purview and is determined to be the percentage decrease from the start of the initiative in late 2002. As illustrated in the chart, ICBC will achieve a 33% reduction by 2004 and will maintain this level in 2005 and 2006. A regulatory requirement is defined as a compulsion, demand or prohibition placed on an individual, entity or activity. Such requirements are found in statutes, regulations and policies and procedures administered by ICBC.

DEREGULATION




*Source: ICBC internal records of legislative and regulatory changes.*

## REVENUE DRIVEN & FISCALLY RESPONSIBLE

ICBC has had strong financial performance in 2002 and 2003, coupled with two previous years of significant fiscal restraint and cost reductions. This is the first step on the road to becoming more competitive, to building the financial strength necessary for the Corporation to absorb the impact of unexpected events, and to providing an environment of low and stable rates. Therefore, continuation of initiatives in support of this goal is critical.

As outlined in the 2003-2005 Service Plan, the Corporation has made progress in reducing controllable costs in 2001 and 2002. In 2003 and beyond, ICBC will continue with its philosophy of zero-based budgeting; however, there are expected to be some one-time increases in costs due to new regulatory processes, program and system changes to address the impacts of legislative changes, as well as changes to contractual salary agreements. Despite such changes, ICBC will continue to emphasize holding the line on costs, improving the value of goods and services received through effective procurement strategies, and adopting a performance based approach for employee compensation, and for arrangements with suppliers and major business partners. For example in 2003, the Corporation has reached an agreement with the collision repair industry for a performance based compensation model. Such a model is designed to reward those repair shops that meet or exceed their performance goals and objectives. Work is underway with the collision repair industry to prepare for full implementation on July 1, 2004.

With respect to ICBC's investments, similar performance based arrangements have been established for external investment managers. Performance is aligned with appropriate benchmarks and targets are established based on the risks and opportunities available to the manager for the category of assets being managed. In the current environment of depressed and volatile financial markets, the Corporation's focus is to enhance value while managing risks and volatility.

ICBC has had considerable success in managing claims costs over the preceding years. The Corporation is also currently working with the Ministry of Public Safety and Solicitor General to provide enhanced traffic law enforcement on BC roads to further reduce crashes and crime on BC roads and keep insurance premiums as low as possible.

The Corporation is also addressing claims costs through its enhancements to the graduated licensing program implemented in late 2003. The changes extended the duration of the graduated licensing program from two to three years and introduced a novice stage passenger restriction that was specifically designed to eliminate the high-risk situation of teenage drivers carrying numerous teenage passengers without adult supervision. In addition, a requirement was added to the novice stage, which encourages safe and responsible driving by returning a driver to the beginning of the stage if they receive numerous violation tickets or are found driving under the influence of alcohol. It is anticipated these program enhancements will result in fewer new driver crashes over the next few years.

One ongoing issue that will continue to be monitored by the Corporation is the increasing trend in bodily injury claims costs. ICBC will continue to work with its many partners in industry to address these costs. Road safety and loss management activities will support these efforts by reducing accidents and preventing injuries.

### Objectives

- **Excel in operational effectiveness and efficiency in all insurance products and services, licensing, road safety and loss management, and other activities conducted by the company.**
- **Minimize claims costs, severities, and frequencies through product design, claims cost controls and loss management.**
- **Improve the value of goods and services purchased and increase the recovery of costs for services provided.**

## Strategies

- Continue to seek cost-saving opportunities for controllable expenses.
- Adjust business processes to reduce costs, and improve response times and customer satisfaction.
- Implement loss management programs to reduce the number and seriousness of crashes and crimes.
- Continue to focus on preventing fraud and adopting a principle of zero-tolerance towards fraudulent activities.
- Continue to implement programs to limit the coverage offered to frequent claimants and review product design to limit severities.
- Continue to establish performance based relationships with key suppliers and business partners.

## Performance Measures

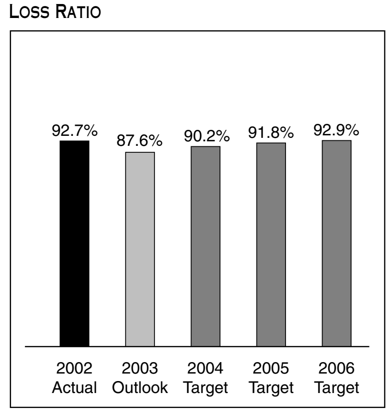
*Loss Ratio -*

Another key performance indicator within the insurance industry is the loss ratio, which is a measure of the insurance product's profitability. The lower the percentage, the more profitable the product. This measure is calculated as the ratio of the total of claims and claims related costs including loss management and road safety costs, to insurance premium dollars earned.

From a claimant's perspective, this measure represents the percentage of premium dollars paid to or on behalf of a claimant involved in an accident. On an average per claim basis, ICBC's average payout appears lower than the claims paid in other provinces such as Ontario, and this is due to the existing tort system in BC whereby claimants have a right to sue. As a result, many smaller value claims are paid by the Corporation and brings the average down. In contrast in provinces where there is a threshold system such as Ontario, there is a threshold of $30,000 before a claim can be launched. With such a limit in place, there will be fewer claims but the claims will be higher in value.

The targets established for 2004-2006 reflect the deterioration in the quality of ICBC's book of business as a result of increased competition brought about by legislative changes, and impacts of proposed changes to insurance product design, product offerings and pricing. ICBC will continue to have a significantly higher loss ratio than the P&C industry benchmark (78.8% in 2002[19]) due to its mandate to provide affordable insurance to all drivers in BC, especially the category of high-risk drivers. The lower loss ratio for 2003 is due to favourable driving conditions and changes to product offerings, both of which have resulted in a decrease in claim costs. The claims trends are expected to return to normal levels in 2004-2006, and the targets reflect this.

LOSS RATIO




*Source: ICBC Financial Systems*

[19] A.M. Best 2003 Statement File - Canada CD.

*Expense Ratio -*

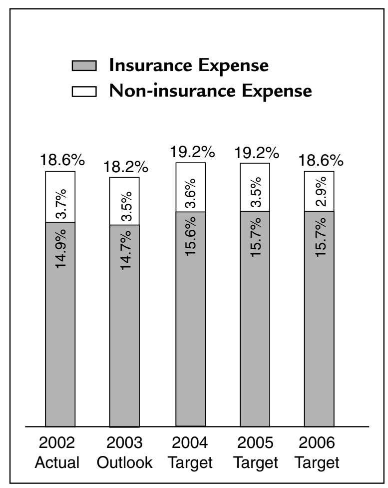
The expense ratio is a standard industry measure for assessing the operational efficiency of an organization. This measure is calculated as the ratio of non-claims costs to insurance premium dollars earned. It includes operating costs that are not directly related to servicing claims such as general administration, commissions paid to brokers, taxes paid to government on premiums written, product design (underwriting) and non-insurance costs such as those associated with driver licensing and vehicle registration. To facilitate comparisons with industry benchmarks, the expense ratio excludes the impact of one time non-recurring items. This ratio consists of two key components: the insurance expense ratio and the non-insurance expense ratio. Segregating expenses in this manner allows ICBC to better manage the costs of operating its insurance business. Included in the insurance expense ratio is an offset in costs related to the interest revenue and fees arising from AP12 loans.

In recent years, the Corporation has focused on operational excellence and zero based budgeting in an effort to reduce the insurance expense ratio. Industry average for the auto insurance expense ratio for 2001 is in the range of 25 percent to 27 percent. The overall P&C expense ratio is 28.1% for 2002[20] of which auto insurance is a major component. For 2004, costs are expected to permanently increase due to new regulatory requirements, program and system changes to address recently introduced legislation aimed at increasing competition, and contractual agreements. In 2005 and 2006, the targets established are being maintained at 2004 expense ratio levels despite increasing uncertainty in the operating environment as a result of increased competition and increasing inflation. This is to demonstrate ICBC's continued commitment to controlling operating costs.

As part of its operations, ICBC incurs non-insurance expenses for the provision of driver licensing, commercial vehicle services, vehicle registration and licensing, and fine collection. The non-insurance expense ratio represents the ratio of the operations and administration costs of ICBC's non-insurance business to insurance premium dollars earned. Monitoring these costs ensures that ICBC continues to be an efficient provider of these services on behalf of government. The targets established for 2004-2006 are consistent with historical results. The reduction in the 2006 target reflects the expiration of ICBC's commitment in March 2006 to make an annual payment of $24.7 million to the provincial government for the commercial vehicle compliance functions.

[20] A.M. Best 2003 Statement File - Canada CD.

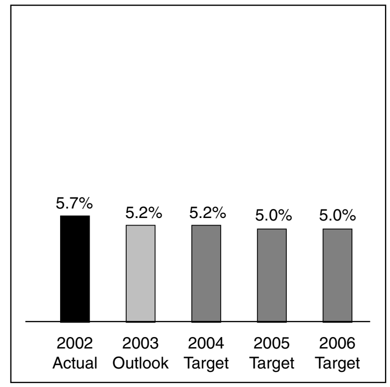
EXPENSE RATIO




*Source: ICBC Financial Systems*

*Investment Return -*
ICBC manages an investment fund of over $6.4 billion to generate investment income used to reduce premiums to the policyholder. ICBC holds a conservative portfolio with the majority of monies invested in fixed income instruments or bonds. These assets are held to offset future claims payments and to provide reserves to mitigate future volatility in insurance rates.

INVESTMENT RETURN

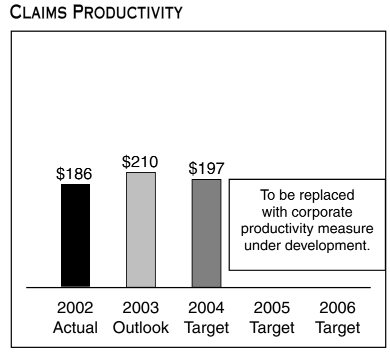



*Source: ICBC Financial Systems*

The investment return measure is calculated as the ratio of investment income over the average book value of the investments portfolio. The targets for 2004-2006 reflect the current financial environment of low fixed income yield, volatile equity markets, and geopolitical uncertainty. The targets are consistent with the 2003 outlook and reflect the expected market returns on the fixed income and equity portfolios. The values of the fixed income portfolio will be impacted negatively if interest rates increase from their current low levels. However, ICBC's goal will continue to be focused on meeting or exceeding the industry average performance. The 2002 P&C industry benchmark for this measure is 4.96%.[21]

*Claims Productivity -*
Employees involved in the handling of claims account for 50% of ICBC's workforce and 48% of operating costs. Claims productivity is a new measure for ICBC defined as the per unit cost of handling claims and is calculated as the sum of internal and external costs divided by the number of open and closed claims transactions. Internal costs consist primarily of salaries and benefits, and external costs include mainly outside legal counsel, medical reports, private investigators, independent adjusters and towing costs.

CLAIMS PRODUCTIVITY




*Source: ICBC Financial Systems*

Due to the typical short term volatility in claims volumes and transactions year over year for automobile insurance, and the longer-term nature of cost infrastructure, it is not unusual to see some fluctuations in the claims productivity measure. The 2003 year is a typical example of a short term fluctuation, where uncharacteristically low claims volumes caused a slight deterioration in the claims productivity measure. A key objective for ICBC is to continually right size the organizational infrastructure based on long term average volume trends rather than short term fluctuations.

[21] A.M. Best 2003 Statement File - Canada CD.

The claims trends for 2004 as determined by the actuaries show a return to more normal volumes as a result of vehicle population growth, normal weather patterns and an improved BC economy. As a result, the 2004 productivity target is expected to improve from 2003 levels.

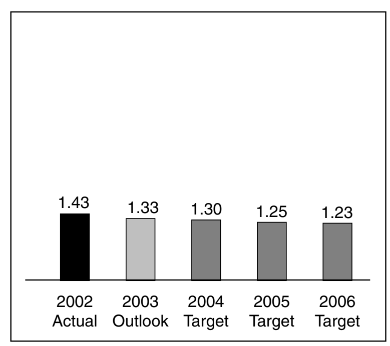
However, the target is not expected to return to 2002 levels due to expected increases in allocated expenses which reflect an expected increase in legal defense costs during 2004. In addition, the cost per transaction is affected by the complexity of the claims handled. ICBC expects the mix of claims for 2004 to be similar to 2003 where the proportion of complex claims is higher than in 2002 resulting in a higher productivity target for 2004.

ICBC will be researching and developing a Corporate Productivity measure during 2004 to be used for 2005 and 2006. This measure will provide an improved corporate perspective with respect to productivity. As such, targets have not been provided for 2005 and 2006.

The following measures are indicators of ICBC's success in reducing crashes and reducing the claims costs associated with a crash. These measures of crash and crime rates are used by ICBC to review overall performance; deterioration in these rates indicates the need to reexamine road safety programs, and to review product design and offerings.

*New Driver Comparative Crash Rate* -*
This measure is an indicator of the outcome of the Graduated Licensing Program (GLP) and other initiatives aimed at new drivers. It describes the crash rate for new drivers relative to the rate for more experienced drivers. The introduction of the changes to the GLP program in late 2003 are not expected to have a noticeable impact until 2005 and 2006, and are expected to offset the cost pressures associated with rising claims trends. The targets for 2004-2006 have been established to be consistent with these expectations. ICBC is continually examining new opportunities to reduce the number of new driver-related incidents and the targets will be revised when these opportunities are implemented and expected to impact results.

NEW DRIVER COMPARATIVE CRASH RATE*

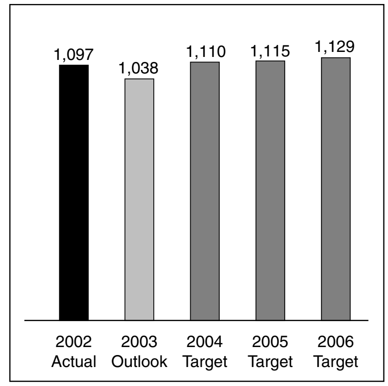



*Source: ICBC Financial Systems*

*Crash Rate* -*

This measure is calculated as the number of crashes for every 10,000 annualized policy years. A crash is considered to have occurred when a financial reserve is established for a potential crash-related loss, irrespective of whether a payment is eventually made against the reserve. A policy year represents one year of insurance coverage. This is a new measure introduced for 2003 and will provide an indication of frequency of crashes. A change in the crash rate results from internal and external causes. Changes implemented through loss management and road safety programs, insurance product modifications (e.g. increased deductibles) and external factors, such as traffic enforcement, weather and the BC economy, have a combined effect on the crash rate. The outlook for 2003 shows a reduction in the crash rate which can be attributed to the favourable driving conditions experienced in the year. For 2004 - 2006, the targets have been set at levels more typical of prior years, are marginally higher than the results for 2002 and are consistent with actuarial trends.

CRASH RATE*

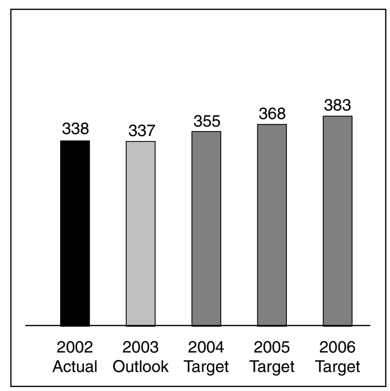



*Source: ICBC Financial Systems*

*Injured Person Rate* -*

This measure calculates the number of injured persons for every 10,000 annualized policy years. An injury is considered to have occurred when a financial reserve is established for a potential injury related loss, irrespective of whether a payment is eventually made against the reserve. The targets assume existing loss management program benefits will be maintained and reflect the actuarial trends expected for injury related claims. These trends are expected to increase in 2004 and take into account economic growth and weather impacts. As a result, the targets for 2004-2006 reflect an increase over 2003 and 2002.

INJURED PERSON RATE*

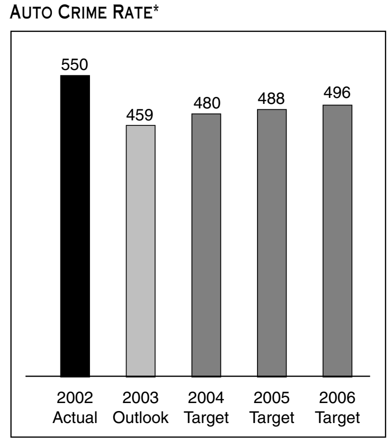



*Source: ICBC Financial Systems*

*Auto Crime Rate* -*

This measure calculates the number of auto crime incidents for every 10,000 annualized comprehensive or specified perils policy years. A crime is considered to have occurred when a financial reserve is established for a potential crime related loss, irrespective of whether a payment is eventually made against the reserve. In 2003, the outlook shows a signficant decrease in the number of auto crime incidents and is due to an increase in deductibles for these coverages. With higher deductibles, there will be fewer claims as smaller value claims are no longer reported. The targets established for 2004-2006 reflect the trends anticipated for crime-related claims.

AUTO CRIME RATE*




*Source: ICBC Financial Systems*

**Reliable industry comparatives are not readily available; however, ICBC is continuing to seek appropriate benchmarks.*

## PERSONALLY ACCOUNTABLE, CAPABLE & ENGAGED PEOPLE

The purpose of this goal is to develop personally accountable, capable and engaged people all focused on the same corporate goals and working together to make the Corporation a success. ICBC will continue to implement its Performance Management System, which is designed to align divisional, department and individual goals with corporate goals. Incentives are dependent on achievement of results and determined to varying degrees by corporate results. Performance management was implemented for the non-union employees in 2003 whereby some benefits were reduced or eliminated and in its place, an incentive based compensation program was implemented. This program will be entering its second year in 2004. A similar arrangement has been discussed with the Union whereby all employees will be able to share in the Corporation's success and is currently part of the negotiations. This fully supports ICBC's shift from a culture of entitlement to a performance based environment, and is consistent with new arrangements entered into with some suppliers and business partners.

At a divisional level, development of people planning objectives to support this corporate goal will be a focus in 2004. The future success of the Corporation depends on ICBC's ability to retain, develop and acquire talent, and ensure succession plans are in place for critical positions. This coupled with strong leadership will be vital as ICBC faces the competitive challenges ahead.

### Objectives

- **Develop a high performance work culture that enables people to succeed in a competitive customer driven environment.**

### Strategies

- Continue to improve the Performance Management System to enable the organization to focus on those factors that support corporate goals and objectives.
- Implement succession planning to ensure ICBC has identified and is developing its future leaders.
- Develop management and leadership skills to support our people in working together to succeed in a competitive environment.
- Further develop internal insurance expertise to support ICBC's move to become more competitive.
- Create opportunities for employees at ICBC to identify issues and opportunities to assist us in becoming more competitive.

### Performance Measures

*Employee Index -*

Due to the sensitivities of the labour negotiations and ensuing labour dispute, ICBC did not perform an employee survey in 2003. The Corporation is hopeful that a resolution may be reached and that monitoring of this performance measure under normal operating conditions may commence. In the meantime the development of this measure is continuing to be refined.

## STRATEGY SUMMARY

The following table summarizes ICBC's goals, objectives, measures and targets contained in the previous pages. For an explanation of the changes between years, refer back to the discussion under each of the corporate goals. In 2003, the Corporation showed very positive results for its return on equity, combined ratio and loss ratio. This is due to the favourable driving conditions in 2003 and product changes, which resulted in lower claims costs. This reduction and ICBC's continued vigilance over controllable costs accounted for the positive financial performance in 2003.

| GOAL | OBJECTIVES — HIGH LEVEL | MEASURES | OUTLOOK | TARGETS | | |
|---|---|---|---|---|---|---|
| | | | 2003 | 2004 | 2005 | 2006 |
| Become More Competitive | • To deliver innovative, competitive and tailored optional products and services that are valued by customers, self funded and priced based on risk.<br>• To achieve planned financial results. | Return on Equity (on an annual basis) | 51.0% | 9.4% | -0.5% | -3.9% |
| | | Combined Ratio: | | | | |
| | | • Claims & claims related expenses and insurance expenses | 100.5% | 105.8% | 107.5% | 108.6% |
| | | • Non-insurance Expenses | 3.5% | 3.6% | 3.5% | 2.9% |
| | | **Total** | 104.0% | 109.4% | 111.0% | 111.5% |
| Customer Focused | • To increase customer approval of ICBC as a result of informed opinions and a better understanding of the value and operations of the company.<br>• To improve service to customers by streamlining processes and reducing the number of regulatory requirements placed on customers and claimants. | Autoplan Satisfaction* | 94% | 94% | 95% | N/A |
| | | Driver Services Satisfaction* | 90% | 87% | 88% | N/A |
| | | Claims Services Satisfaction* | 85% | 87% | 89% | N/A |
| | | Customer Approval Index* | N/A | N/A | N/A | TBD |
| | | Deregulation | 30% | 33% | 33% | 33% |
| Revenue Driven & Fiscally Responsible | • To excel in operational effectiveness and efficiency in all insurance products and services, licensing, road safety and loss management, and other activities conducted by the company.<br>• To minimize claims costs, severities and frequencies through product design, claims cost controls and loss management.<br>• To improve the value of goods and services we purchase, and increase the recovery of costs for services we provide. | Loss Ratio | 87.6% | 90.2% | 91.8% | 92.9% |
| | | Expense Ratio: | | | | |
| | | • Insurance Expense Ratio** | 14.7% | 15.6% | 15.7% | 15.7% |
| | | • Non-insurance Expense Ratio | 3.5% | 3.6% | 3.5% | 2.9% |
| | | **Total** | 18.2% | 19.2% | 19.2% | 18.6% |
| | | Investment Return | 5.2% | 5.2% | 5.0% | 5.0% |
| | | Claims Productivity | $210 | $197 | TBD | TBD |
| | | New Driver Comparative Crash Rate | 1.33 | 1.30 | 1.25 | 1.23 |
| | | Crash Rate | 1,038 | 1,110 | 1,115 | 1,129 |
| | | Injured Person Rate | 337 | 355 | 368 | 383 |
| | | Auto Crime Rate | 459 | 480 | 488 | 496 |
| Personally Accountable, Capable and Engaged People | • To develop a high performance work culture that enables people to succeed in a competitive operating environment. | Employee Index | N/A | N/A | TBD | TBD |

* *Customer Approval Index under development to replace Autoplan Satisfaction, Driver Services Satisfaction and Claims Satisfaction for 2006.*

** *Excludes acquisition cost adjustments (Deferred Premium Acquisition Costs) and Other Unusual Items*

## ICBC'S STRATEGY GOING FORWARD

The following table provides a summary of ICBC's strategic themes over the years and a summary of ICBC's strategy going forward during the period of this Service Plan.

| STRATEGIC THEME | ROAD SAFETY (1996 - 2005) | OPERATIONAL EXCELLENCE (2001- 2005) | BECOMING MORE COMPETITIVE (2003-2006) |
|---|---|---|---|
| **Emphasis** | **Prevention**<br>Reduce crashes and crime | **Financial Health**<br>Operate in the most effective and efficient manner | **Competitiveness**<br>Enhance products & services to customers while operating efficiently & effectively |
| **New Strategies** | • Support funding for enhanced traffic law enforcement programs and auto crime prevention programs | • Improve the value of goods and services obtained by ICBC | • Build financial strength of company<br>• Continue to invest in changes required to position ICBC to compete effectively<br>• Develop internal capabilities to efficiently and effectively meet regulatory framework requirements |
| **Continued Strategies** | • Invest in programs to reduce crashes, crimes and claims costs<br>• Increase business partners' participation in road safety<br>• Develop world class expertise in transportation risk reduction | • Understand customer needs<br>• Reduce costs and improve processes to reduce the need for premium increases<br>• Enhance ICBC's performance-based culture<br>• Continue to ensure financially sustainable and independent core lines of business including basic and optional insurance<br>• Reduce crashes & crimes and their impacts on customers and premiums | • Provide customer-valued products and services<br>• Develop capabilities to respond quickly to market conditions<br>• Understand customer needs<br>• Reduce costs and improve processes to reduce the need for premium increases<br>• Enhance ICBC's performance-based culture<br>• Continue to ensure financially sustainable and independent core lines of business including basic and optional insurance<br>• Reduce crashes & crimes and their impacts on customers and premiums |

# Alignment with Government's Strategic Plan

ICBC's strategic direction is designed to support the provincial government in achieving its goals as set out in the British Columbia Government Strategic Plan 2003/04 - 2005/06. Specifically, ICBC contributes to the provincial government's goals in the following ways:

## GOAL 1. A STRONG AND VIBRANT PROVINCIAL ECONOMY

Despite a challenging insurance market, ICBC provides affordable automobile insurance to British Columbians. To do this, ICBC practices fiscal responsibility and is working to improve its financial position by focusing on innovative cost-effective measures, and efficient and effective service delivery practices. In addition to streamlining business practices, ICBC is working to reduce its regulatory requirements by one-third by June 2004.

ICBC's workforce is an integral part of the strategy. By ensuring ICBC has a skilled workforce, ICBC is prepared to meet the challenges of an increasing competitive environment. In addition, ICBC is working to develop a high performance work culture that embraces responsibility and accountability.

## GOAL 2. A SUPPORTIVE SOCIAL FABRIC

ICBC plays an important role in supporting government's objectives of healthy and self-sufficient British Columbians. ICBC invests in loss management and road safety programs that reduce the number and severity of accidents. As part of basic insurance, ICBC provides accident benefits for medical and rehabilitation services that assist victims to return to work and live independently.

## GOAL 3. SAFE, HEALTHY COMMUNITIES AND A SUSTAINABLE ENVIRONMENT

ICBC supports government's objective of safe communities for British Columbians. ICBC works in partnership with various ministries and road authorities to deliver projects aimed at improving community safety. In addition, ICBC invests in prevention programs to reduce the number of auto crimes in communities. Internally, ICBC is committed to protecting the environment by identifying and managing environmental risk, and to use energy and materials wisely to conserve natural resources and reduce waste.

# Summary Financial Outlook

The recent legislative changes and the introduction of the Insurance (Vehicle) Act reflect government's direction to increase competition in the optional insurance market. These changes will require ICBC to modify its processes and the manner in which optional transactions are handled. As a result of these changes:

- ICBC will incur related transition costs in 2004, which will have an impact on financial performance.
- ICBC's premium and business volumes will be affected by the increase in competition in the BC market, the aggressiveness of competitors' activities and ICBC's ability to respond on an equal basis as competitors. Competitive behaviour is difficult to predict, but is anticipated to affect the segment of low risk and profitable customers.
- As the quality of ICBC's business is affected and change to business volume occurs, there will be timing and short term cost issues as ICBC endeavors to adjust its infrastructure and fixed costs to reflect the impact of these changes.

The outlook for financial performance has been prepared based on ICBC's assessment of these upcoming challenges. Efforts to increase premiums in order to improve financial results may have a contrary effect as customers may choose to either not insure or seek optional insurance from another provider. This then leads to a cycle of deterioration in the quality of business and further declines in profitability.

For 2004, ICBC anticipates additional costs related to the implementation of the transition changes resulting from the changes in legislation. Impacts to market share are expected to be minimal initially as existing competitors begin to ramp up and new potential competitors prepare for entry. The impact to ICBC's financial results is not expected to be significant until 2005-2006.

In 2005 and 2006, changes in the competitive marketplace are expected to have a greater impact as shown in the forecast of net losses. The relative break-even position in 2005 is representative of an erosion in ICBC's business volume and deterioration in profitability (loss ratio) resulting from a loss of the profitable customers. The rate increase required for 2005 must take into account actuarial cost trends relative to existing rate levels, provide for expected transition costs, new regulatory costs and take into consideration the deterioration in the quality of ICBC's book of business due to increased competition.

The deterioration in business quality carries through into 2006 as competitive pressures build. Due to the rate increase assumed for 2005, the benefits of this increase carries on into 2006 and helps to lower premium increases in 2006.

Throughout this period, ICBC will rationalize its operations based on business volumes. This process will take time and will not affect costs for two years or until 2007 and onwards. In the interim, ICBC's costs may rise relative to premium levels.

## INSURANCE CORPORATION OF BRITISH COLUMBIA
## SUMMARY FINANCIAL OUTLOOK

| $ MILLIONS | 2003 (OUTLOOK) | 2004 (OUTLOOK) | 2005 (OUTLOOK) | 2006 (OUTLOOK) |
|---|---|---|---|---|
| Premiums earned | $2,859 | $2,962 | $3,083 | $3,197 |
| Investment income | 329 | 330 | 335 | 345 |
| **Total Revenue** | **3,188** | **3,292** | **3,418** | **3,542** |
| Claims incurred | 2,138 | 2,382 | 2,532 | 2,664 |
| Claims services & loss management | 279 | 289 | 297 | 306 |
| Insurance operations expenses | 112 | 129 | 135 | 140 |
| Acquisition costs, net | 272 | 334 | 349 | 362 |
| Non insurance expenses | 100 | 106 | 108 | 92 |
| **Total Expenses** | **2,901** | **3,240** | **3,421** | **3,564** |
| Operating income (loss) before the undernoted | 287 | 52 | (3) | (22) |
| Gain on sale of claims centres | 14 | | | |
| **Net Income (Loss) Before Impact of Tariff** | **301** | **52** | **(3)** | **(22)** |
| Impact of tarrif on prior years' claims | 87 | | | |
| **Net Income (Loss) After Impact of Tariff on Prior Years' Claims** | **$ 214*** | **$ 52** | **$ (3)** | **$ (22)** |

* The Service Plan net income has improved by $18 million from the $196 million reported in the 3rd *Quarterly Report,* which is included in the 2004/05-2006/07 *Budget and Fiscal Plan.* This is a result of more current information available at the time of finalizing the Service Plan.

### Key Assumptions

- No prior years' claims adjustments are reflected in 2004 and beyond.
- No deferred premium acquisition cost adjustments are reflected in 2004 and beyond.
- The outlook is based on the status quo business model and existing cost structures.
- Return on investment - 5.2% return for 2004 and 5.0% thereafter on the average portfolio balance.
- The outlook is based on current generally accepted accounting principles.
- The outlook incorporates expectations for market share losses on the optional business.
- The forecast is prepared assuming rate increases of 0.4% in 2004. For 2004, a 0.4% increase to basic insurance rates was approved by BCUC on November 12, 2003. The forecast has been prepared assuming further premium increases; however, the basic portion is subject to approval by the BCUC, and the outlook will vary depending on the outcome of those decisions.
- These results reflect the overall operations of the business including basic and optional insurance and non-insurance activities.
- Claims incurred reflects a return to normal claims trends (driving conditions), vehicle population growth, inflation and an improving BC economy.

### Forecast Risk & Sensitivities

- 1% fluctuation means $29 - $32 million in net premiums
- 1% fluctuation means $22 - $27 million in claims costs.
- 1% fluctuation in the unpaid claims balance means $45 million in claims costs.
- 1% fluctuation in investment return means $63 - $69 million in investment income.
- 1% change in investment portfolio balance means $3 million in investment income.
- 1% change in market share represents a $3 million impact on net income.

# Major Capital Project Information

## CENTRAL CITY

**Project Description and Objectives:**
ICBC Properties Ltd. (IPL), was created in 1999 as a wholly owned subsidiary of ICBC, with responsibility for managing ICBC's real estate held within its investment portfolio. Central City located next to the Surrey Central SkyTrain Station, consists of the Surrey Place Mall and newly constructed Galleria and 25 story-office tower with leased commercial and office space. Construction began in spring 2000 and was completed in early 2003. The project budget was $224.5 million and the net costs incurred to date are approximately $140.7 million. The remaining budget includes funds required for preparing the space for occupancy, once a tenant is secured and subject to the terms of the lease agreement. This activity is expected to carry on into 2005.

Future expenditures on this property will be primarily for leasehold improvements for new tenants, and will vary depending on the space being leased. These are normal costs incurred as part of rental activities. With the completion of the Central City development, IPL is in the process of being dissolved. Surrey City Center Mall Ltd., which was previously a subsidiary of IPL and the entity which holds the Central City property, will be held by ICBC directly for the purpose of holding and operating the Central City property.

Late in 2003, a new lease was signed with J.P. Morgan Chase and Co. for approximately 130,000 square feet of space with options to double the space. JP Morgan Chase and Co. will be opening an international call centre at this site, relocating its operation from New York to British Columbia. It has been reported that the call centre will house 850 employees, rising to potentially over a thousand people in the near future. This new lease significantly enhances the value of the property and is expected to generate further economic activity within the vicinity - direct employment resulting from maintenance and administration of the facility, increased economic activity associated with the tenants' business needs and enhanced utilization of existing transportation infrastructure. With this new tenant in place, the Galleria and office tower is approximately 24% leased.

For 2004 and onwards, marketing efforts will continue to secure new tenants for the commercial and retail space. Information profiling the property is targeted at senior real estate executives of major companies, and educational institutions. With existing vacancy rates and unique specifications of the building, the property has been challenging to fully lease. The Corporation is continually in discussions with potential tenants.